



Daily Report

China

**FBIS-CHI-89-093
Tuesday
16 May 1989**

Daily Report China

FBIS-CHI-89-093

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16 May 1989

NOTICE TO READERS: An * indicates material not previously disseminated in electronic form.

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United States & Canada

Commentary Views Trends in U.S. Defense Policy HK0605082089 Beijing RENMIN RIBAO in Chinese 4 May 89 p 3

["Commentary" by Jing Xianfa (2529 2009 3127): "New Trends of the Defense Policy of the White House"]

[Text] The Bush administration recently made public the "mixed deployment scheme" which mainly consists of the multiple warhead intercontinental missile and the midgetman mobile missile. President Bush spends great efforts in renewing and expanding land-based strategic nuclear weapons at a time when the government is cutting military expenses. People are thus highly concerned with the trends of the defense policy of the White House.

The aim of the "mixed deployment scheme" is to enable the U.S. strategic nuclear weapons to escape the first attack of the Soviet intercontinental nuclear missiles by deploying MX multiple warhead missiles transported on railroad cars [gui dao che 6510 6670 6508] and adding the midgetman single warhead missiles which are placed on trucks. Adequate nuclear retaliation power can be conserved in this way. This idea basically matches with the traditional nuclear deterrence theory of the United States in its nuclear strategy. At the same time, President Bush cut the expense of the strategic defense plan—the "Star Wars" plan highly commended by Reagan. As a commentary in THE WASHINGTON POST pointed out: Bush's scheme turns the U.S. nuclear strategic theory from the idea of strategic defense stressed by Reagan "back to the path of nuclear deterrence."

Congress and the Pentagon have argued for 13 years about how offensive nuclear weapons should be developed. Bush, who assumed office quite recently, had adopted the proposal of Congress to deploy midgetman single warhead mobile missiles and at the same time insists on the redeployment of MX multiple warhead missiles, while reconciling and making compromise between the two opinions. Of course, his aim in doing so is to harmonize the relations between the White House and Congress in future. Observing the present situation, Secretary of State Baker is planning to discuss the resumption of the U.S.-Soviet talks on limiting strategic nuclear weapons which ended last November during his visit to the USSR this month. In particular, President Bush hopes that the Senate and the House of Representatives in the Congress, where the Democrats hold the majority, can vote for the decision of the White House at that time. In the long run, it is obvious that President Bush hopes to win greater support from Congress on important decisions concerning internal and foreign affairs in the future through this concession.

However, a price must be paid for maintaining this "mixed deployment scheme." President Bush has decided to cut the scale of the strategic defense initiative and delay the production of the B-2 stealth bomber, and

is prepared to reduce the amount of conventional weapons and fighters. This practice of "repairing one wall by demolishing the other wall" shows that the United States is impeded by its enormous financial deficits in developing its military forces.

What public opinion is most concerned about is the long-term development of this land-based long-range missile, and whether or not it will cause a series of arms races between the United States and the USSR. Though the number of nuclear warheads of the "mixed deployment scheme" is similar to the amount during Reagan's terms of office, there are breakthroughs in the number of carrier vehicles. A more important point is, that these mobile missiles will greatly raise the deterrent power of the United States. The United States has always been trying to prevent the USSR from deploying its SS-24 multiple warhead mobile missiles because it thinks that such missiles are "particularly deterrent in nature." So, as the "mixed deployment scheme" can be created, how can the United States prevent the birth of the SS-24?

Daily Criticizes U.S. Trade Protectionism

HK0905053589 Beijing RENMIN RIBAO in Chinese
5 May 89 p 3

["Jottings" by Yan Zhong (1750 1813): "Do Not Pursue an Ostrich Policy"]

[Text] During a joint meeting between Mexico and the United States at the end of last month, De La Garza, Chairman of the Agricultural Committee in the U.S. House of Representatives, asserted that "there is no trade protectionism in the United States" and refused Mexico's demand for open trade.

It was really astonishing that this dignified member of the House of Representatives denied a commonly acknowledged fact. People still remember that on 23 August last year President Reagan formally signed an omnibus trade bill that bears a strong protectionist flavor. This bill requires the President to retaliate against what it calls "unfair trade" carried out by foreign countries. It has also established antidumping and antisubsidiary taxes and demands the application of sanctions against foreign countries that violate U.S. knowledge proprietary rights. The necessity to increase subsidies for the exports of agricultural products has also been entered in the bill. This bill has aroused strong dissatisfaction in Japan, West Germany, and other major Western countries. It has deprived developing countries of their right to enjoy trade interests of a nonreciprocal nature, thus making them victims of U.S. trade protectionism. How can one say "there is no" trade protectionism in the United States given these facts?

Take the neighboring Latin American countries as an example. They have endured the bitterness of U.S. trade protectionism. Under strong pressure from the protectionists in the Congress, the U.S. Government has taken measures to impose strict limitations on imports,

thereby making it difficult for some of important Latin American products, such as textiles, steel, ethanol, sugar, and flowers, to enter the U.S. market. This has caused losses to Latin American countries.

Now in their demand for improving the international economic environment, many developing countries have urged developed countries to reduce protectionism and open their markets to developing countries. As a member of the U.S. House of Representatives, it would be better for him to do something good for the reduction of protectionism than pursue an ostrich policy in the face of facts.

Paper Says Bush's Economic Plan Faces 'Grim Test'
HK09051/0489 Beijing RENMIN RIBAO in Chinese
6 May 89 p 3

["Roundup" by staff reporter Zhang Liang (1728 0081):
"Bush's Economic Policy Is Faced With a Test"]

[Text] Washington, 2 May—President Bush delivered a speech at the annual meeting of the American Chamber of Commerce several days ago. The main contents of his speech are as follows: Internally, reduce the financial deficit of the federal government, encourage enterprise investment, and reorganize the savings and loans system; externally, put forward the "Brady Plan" aimed at easing the international debt crises, as well as seek an "open and fair" international trade system. The question of how to put into practice these major principles and policies undoubtedly attracts people's attention at home and abroad.

Reducing the federal financial deficit is an economic issue "given top priority" by the Bush administration. This is because, first, the persistently huge financial deficit has increasingly become an unstable factor inflicting the greatest harm to the U.S. economy, and, second, congress has stipulated that it is necessary to reduce the budget deficit year by year over the next 5 years until it is completely eliminated in 1993. Given this background, the Bush administration reached an agreement with the Congress in April, under which the 1990 budget deficit would be reduced to less than the statutory \$100 billion level. There are no more than two methods to achieve this—namely, increase income and decrease expenditure. Economic circles here express widespread admiration for the decisive act on the part of the Bush administration. But some people have also expressed doubts in varying degrees about the feasibility of this plan because the envisaged deficit level is based on an optimistic estimate of the economy.

Another point stressed by Bush is the encouragement of enterprise investment. His specific plan is as follows: 1) He suggests that the capital earning tax should be reduced from the existing 30 percent to 15 percent; 2) he agrees to increase the minimum wage but insists that it should at most be increased to \$4.25 an hour in the next 3 years. As Bush sees it, if the minimum wage is increased excessively, it will inevitably increase the enterprise labor cost. The result is that the enterprises

will dismiss workers or shift the portion of higher cost to consumers, thus increasing the inflationary pressure and obstructing economic development. 3) He reaffirmed his commitment "not to impose new taxes." However, the Congress has a different stand from Bush on the first two proposals. Most Democratic congressmen are strongly opposed to the reduction of capital earning tax, stating that this is beneficial only to the rich. As for the minimum wage, the Democrats favor increasing it to \$4.65 an hour. It seems that both parties will still have to haggle for some time before they can reach an agreement on these two issues. On the question of "not imposing new taxes," Bush is as intransigent as Reagan was at the beginning of his term. Bush holds that low tax rates can create conditions for continued economic growth, and, as long as the economy develops, the government tax income will naturally increase. However, what is conspicuous is that some supply side economists who were opposed to tax increases in the past, recently urged Bush to accept "an increase in petroleum tax" in exchange for Congressional approval on the reduction of capital earning tax. In the face of Congressional obstruction and lobbying by the conservatives, whether or not Bush can still hold on to his stand on "not imposing new taxes" is still a open question.

In foreign economic relations, the Bush administration put forward in March, the so-called "Brady Plan" aimed at easing the international debt crises. Although this plan was well received by the creditor and debtor nations alike, the creditor banks have not taken any practical action so far. It now seems that like the "Baker Plan" in the past, the "Brady Plan" will be a case of "loud thunder but small raindrops."

As for foreign trade, Bush indicated that the United States would devote itself to safeguarding an "open and fair" world trade system. On the one hand, the United States will strive to dismantle overseas trade barriers; on the other hand, it will continuously maintain an open U.S. domestic market. The latest sign is that the U.S. trade representative warned Japan on 28 April, that if Japan refused to open its telecommunications market the United States would retaliate. On the same day, the representative also made public a report saying that Japan, the European Community, Canada, Brazil, and other countries and regions have set up unjust trade barriers. He also claimed that if these countries and regions did not promise to remove the barriers by 1994, the United States would decide, at the end of this month, to take retaliatory action. These indications show that given the difficulties in markedly changing the U.S. trade imbalance, the Bush administration will probably take tough actions against the "unfair trade" practices of other countries.

In sum, Bush's economic policy is characterized by more attention to reality and less attention to the theoretical aspect. This is markedly different from the "economic rehabilitation plan" and the "Reaganomics" put forward by Reagan when he assumed office in 1981. The principal

objective of Bush's economic policy is how to adopt measures to maintain the economic growth which has been going on for 77 months. However, some economic indicators recently released by the government show that the momentum of U.S. economic growth is weakening while the inflationary pressure has not subsided. The question of how to maintain low inflation and avoid recession is obviously a grim test for Bush's economic policy.

U.S. Federal Reserve Board Policies Assessed
HK0705091689 Beijing RENMIN RIBAO in Chinese
29 Apr 89 p 3

[Article by staff reporter Zhang Liang (1728 0081): "The U.S. Federal Reserve Board Is Tightrope Walking"]

[Text] Washington, 28 Apr—As disclosed by a person in the inner circle, for some time now the U.S. Federal Reserve Board has adopted a "wait-and-see" attitude on whether further money tightening is necessary based on the effects of the several increases in interest rates on inflation and the entire economy.

Since he took charge of the Federal Reserve Board, Greenspan has regarded inflation as the chief enemy and exerted efforts to check it by raising interest rates and tightening the money supply. All signs show that Greenspan's measures have proved to be initially effective. Not long ago, the Commerce Department announced that growth in the non-farm portion of the economy had slowed somewhat, to a 3-percent annual rate, after adjustments for inflation and seasonal variations, from 3.5 percent in the fourth quarter. The inflation rate (the GNP price index) rose to a 6.2-percent annual rate, up from 4.4 percent in the fourth quarter, but it was not as serious as expected. Based on the other latest economic indices published, the economic growth in the next three quarters will continue to slow; for example, there will be downturns in resident housing construction starts, consumer spending, and orders for durable goods. Furthermore, a decision has already been made to reduce car production due to a drop in sales. A "cooling" economy is helpful to alleviating inflation pressure. Therefore, economics circles universally hold the view that the bank interest rates at present have basically "reached the ceiling." To a large extent, the recent optimism in the New York Stock Exchange is based on this view.

However, in the eyes of the Federal Reserve Board, economic growth at present is still higher than the ideal level. Therefore, while checking inflation, it has to guard against an economic recession. This has placed the Board on a "tightrope." To check inflation, the Federal Government generally relies on axing government expenditures and raising interest rates. The Bush administration has reached an agreement with Congress on cutting government expenditures, but people are doubtful about its implementation. As for raising interest rates, it seems that the Federal Reserve Board will not resort to that rashly, because an economic recession would be

triggered off if interest rates were raised further. This is the reason the Federal Reserve Board has very little room for maneuver. A poll indicates that U.S. public is unwilling to take the risk of an economic recession. Moreover, the "overheated" economy has "cooled off." It seems that the Federal Reserve Board, which is "controlling the bloodline of the U.S. economy," will not raise interest rates rashly, at least in the near future.

Soviet Union

Gorbachev Continues Visit; Meets With Leaders

RENMIN RIBAO on Arrival
HK1605113689 Beijing RENMIN RIBAO in Chinese
16 May 89 p 1

[Report by reporters Zhang Wenyun (1728 2429 0339) and Wen Xian (3306 2009): "Gorbachev Arrives in Beijing"]

[Text] Beijing 15 May—Gorbachev, chairman of the Presidium of the USSR Supreme Soviet and general secretary of the CPSU Central Committee, and his wife Raisa, arrived in Beijing on a special plane at 1200 sharp today. When the Il-62, the special plane carrying Chairman Gorbachev, slowly taxied to and halted by the ramp, Chinese Foreign Minister Qian Qichen went up the ramp into the cabin to welcome the honorable guest from the Soviet Union.

In a moment, Gorbachev descended from the ramp and stepped onto the red-carpeted land of China, thus beginning his 4-day visit to China. Waiting Chinese leaders, including Chinese President Yang Shangkun, went forward to warmly shake hands with Gorbachev. They extended regards to each other.

Chairman Gorbachev is coming to China on an official visit at the invitation of Chinese President Yang Shangkun. This is the first visit of a Soviet leader since 1959, and marks the beginning of a new phase in the history of Sino-Soviet relations.

Accompanying Gorbachev on the visit, and arriving in Beijing on the same plane, are Shevardnadze, member of the Politburo of the CPSU Central Committee and Soviet foreign minister; Yakovlev, member of the Politburo and secretary of the CPSU Central Committee, who is in charge of Soviet foreign policy; Maslyukov, candidate member of the Politburo of the CPSU Central Committee, first deputy chairman of the USSR Council of Ministers, and concurrently chairman of the State Planning Committee; Chazov, minister of health; and others.

President Yang Shangkun presided over a grand welcoming ceremony in honor of Gorbachev. The band played the national anthems of the two countries, and a 21-gun salute was fired. Accompanied by Yang Shangkun, Gorbachev reviewed the honor guard of the three services.

In the original plan, the welcoming ceremony was to take place at the Square outside the eastern gate leading to the Great Hall of the People. The plan had to be altered and the ceremony was held at the Beijing Airport because of the large number of students on a hunger strike and petitioning at the Square.

Gorbachev delivered a written statement at the Beijing Airport (full text on page 2).

Also welcoming Gorbachev at the airport were Tian Jiyun and Wu Xueqian, vice premiers of the State Council; Peng Chong, vice chairman of the Standing Committee of the National People's Congress; and Zheng Tuobin, minister of foreign economic relations and trade. Personalities of the Soviet Embassy in China were also at the airport for the occasion.

Paper on Gorbachev's Arrival Statement

HK1605101089 Beijing RENMIN RIBAO in Chinese
16 May 89 p 2

[Report: "Text of Gorbachev's Written Statement at Beijing Airport"]

[Text] At noon today, when arriving in Beijing, Gorbachev, president of the USSR Supreme Soviet Presidium and general secretary of the CPSU Central Committee, issued a written statement at the Beijing Airport. The full text of the statement is as follows:

Respected comrades:

First, allow me to express the cordial greetings and the best wishes to the friendly Chinese people on behalf of the Soviet people of all nationalities. I also wish every success and happy lives to the people in Beijing.

We come to China in springtime. This is a beautiful season in which nature is awakening and everything looks fresh and gay. All peoples in the world pin hopes for new lives on spring.

Our feelings are the same. We hope that our meetings and talks with the Chinese leaders will be of epoch-making significance for Soviet-Chinese relations and for the further development of these relations based on the universally recognized principles for state-to-state exchanges and good-neighborliness.

We hold that the development of such Soviet-Chinese relations will be in the fundamental interests of both sides and will be in harmony with the positive changes in the world.

We in the Soviet Union always cherish keen interest in closely watching the reforms going on in China, but nothing can substitute for a trip to this country to make personal observations and have direct contacts with its leaders and people.

This is my first visit to China. I hope to learn more about this great country, which has made enormous contributions to the development of human civilization and which is characterized by its time-honored culture, and to learn more about the achievements of its people in the 40 years of socialist development.

Beijing TV on Yang, Gorbachev Talks

OW1505131589 Beijing Television Service
in Mandarin 0859 GMT 15 May 89

["Yang Shangkun Meets Gorbachev—On-Site Live Broadcast": live coverage of the beginning part of the meeting between President Yang Shangkun and President Gorbachev at the Great Hall of the People on 15 May—Gorbachev's remarks in Russian are translated into Mandarin by an interpreter]

[Text] [Video opens with a caption reading: "Yang Shangkun Meets Gorbachev—On-Site Live Broadcast," cutting to a high-angle shot of the meeting hall with empty seats arranged in a circle]

[Announcer] This is the Central Television Station. This is the Central Television Station. Dear audience, how are you? At 1800 [0900 GMT] today, President Yang Shangkun meets President Gorbachev at the Great Hall of the People. We are now at the Great Hall of the People to give you an on-site live broadcast of the beginning part of the meeting. [As the announcer speaks, camera continues high-angle shot of the meeting hall, cutting to medium shots of reporters and cameramen, about two dozen, standing on the right side of the meeting hall]

[Announcer] Viewers, the meeting will take place shortly. [As the announcer speaks, camera shows Yang Shangkun, Tian Jiyun, Wu Xueqian, and Peng Chong walking from the left side entrance of the hall to the right side entrance of the hall, waiting for the arrival of Gorbachev. Camera cuts to medium shots of Yang Shangkun, Tian Jiyun, Wu Xueqian, and Peng Chong greeting and shaking hands with Gorbachev, Shevardnadze, Yakovlev, and other Soviet officials. Video then cuts to high-angle shots of Yang Shangkun and Gorbachev, together with other Chinese and Soviet officials, walking to their seats. Shevardnadze, Gorbachev, Yang Shangkun, and Tian Jiyun are seen seated in the four seats in the middle row facing the camera. Video then shows Yang Shangkun and Gorbachev conversing through interpreters]

[Yang Shangkun] During this period, there was no practice, no opportunity to talk.

[Gorbachev] You were there for 3 years, were you not? [Camera then cuts to medium and close-up shots of Yang Shangkun and Gorbachev]

[Yang] More than 3 years.

[Gorbachev] Did you learn it well?

[Yang] I can't say very well.

[Gorbachev, smiling] But you still can speak Russian today.

[Yang, laughing] Really, not very good. With a grade of about C [da gai san fen].

[Gorbachev, smiling] That means a satisfactory mark.

[Yang] Just barely passing.

[Gorbachev] Then we can conclude it is a passing grade.

[Yang] We are very pleased that Comrade President Gorbachev and many honored Soviet comrades have come to Beijing for a visit.

[Gorbachev] Thank you for your invitation.

[Yang] On behalf of the Chinese Government and people, I express warm welcome to Comrade Gorbachev.

[Gorbachev] Thanks.

[Yang] Time flies fast. There have been no meetings between top leaders of our two countries during this long period. Naturally, it has not been possible to hold bilateral talks.

[Gorbachev] You are right. Anyway, that period has ended now.

[Yang] Right, right.

[Gorbachev] On behalf of the Soviet leaders and in my own name, I highly appraise the stage our two sides have reached, which is very important. This is because, for the Soviet Union and the world....

[Announcer, interrupting] Viewers, the meeting is still in progress. Our on-site live broadcast will end here. Thank you for viewing it.

Yang Comments on PRC Reform Policy

OW1505140089 Beijing XINHUA in English
1330 GMT 15 May 89

[Text] Beijing, May 15 (XINHUA)—Chinese President Yang Shangkun and Soviet leader Mikhail Gorbachev had a sincere and friendly conversation when they met in the Great Hall of the People here late this afternoon.

On behalf of the Chinese Government and people, President Yang Shangkun expressed warm welcome to Soviet leader Gorbachev whose visit to China is the first by a top Soviet leader in the past three decades.

Yang said time has passed very fast. The leaders of the two countries didn't meet for a long time and it was impossible for them to hold bilateral talks.

Gorbachev expressed his sorry for what has happened between the two countries on behalf of the Soviet leaders.

He said that very probably, the Soviet Union is also responsible for what happened in the past to a certain extent. Nevertheless, that has been bygone. [as received]

Yang said the Chinese and Soviet peoples enjoy a profound friendship.

Yang said the two peoples as well as the international community are paying great attention to President Gorbachev's visit to China, which is of great significance.

He pointed out that the summit is a result of the joint efforts of the two sides. He told his Soviet counterpart, "We need very much to understand you, and likewise, you also hope to understand us."

Gorbachev said the Soviet Union and China need to understand respect for and trust each other.

During the meeting, Gorbachev invited President Yang to visit the Soviet Union, and Yang accepted the invitation with pleasure.

Briefing Gorbachev on China's situation, Yang said China has made great achievements in the past decade thanks to the execution of the policy of reform and opening to the rest of the world but China's national strength is far behind that of the Soviet Union.

Gorbachev said, "Now, your speed is faster than ours."

Yang said, "We feel that our speed is too fast and it should be reduced a little bit."

Every country has its own situation in its economic and political reforms, Yang Shangkun said, adding that China will not develop without reforms. "We can't make any progress if we follow the old path," he said.

He said, on one hand we must reform and on the other hand, there is not any pattern available. Mistakes are unavoidable in making policies and solving problems since the situation differs in various countries, he said.

A lot of things need to be tested, studied and explored, for there is not any blueprint for people to copy, he said.

"It is highly possible for us to exchange views in the field of reform," he said.

Gorbachev said that the Soviet Union is very interested in what China is doing.

Yang said, "we are also very interested in the Soviet Union's reform and hope it will be successful."

Yang expressed the belief that Gorbachev's current visit to China will be surely crowned with success.

Attending the meeting were Peng Chong, vice-chairman of the National People's Congress Standing Committee; Vice-Premiers Tian Jiyun and Wu Xueqian; and Soviet Foreign Minister E. A. Shevardnadze.

Yang Cited on Soviet Restructuring

OW1605115889 Beijing in Russian to the USSR
1900 GMT 15 May 88

[Text] On the afternoon of 15 May, Yang Shangkun, chairman of the Chinese People's Republic, met in Beijing with Mikhail Gorbachev, chairman of the USSR Supreme Soviet Presidium and general secretary of the CPSU Central Committee.

Yang Shangkun said that the visit of Mikhail Gorbachev to China has a very important significance and that it is not only the peoples of China and the Soviet Union who attach a great significance to the Sino-Soviet summit meeting. The international community pays great attention to it, as well.

Yang Shangkun said: Time flies very quickly. The highest leaders of the PRC and the Soviet Union have not met for a long time. Neither was there a possibility to hold bilateral talks. Presently, however, we walk together.

Mikhail Gorbachev said: On behalf of the Soviet leadership, I express regret over the things that have taken place between the Soviet Union and China. One can say that the Soviet Union bears certain responsibility for this. It is good, however, that these things are in the past.

Yang Shangkun greeted the visit of Mikhail Gorbachev to China. He said that it is the result of mutual efforts. He emphasized: We have a great need to understand you, but you also wish to know us. Mikhail Gorbachev said that the USSR and China should understand, respect, and trust each other. He noted: The Soviet Union is very interested in China's reform. Yang Shangkun said that China is also greatly interested in the Soviet Union's restructuring: We wish success to its restructuring.

Mikhail Gorbachev invited Yang Shangkun to visit the Soviet Union. The invitation was gladly accepted.

Yang, Gorbachev on Course of Reform

OW1605072089 Beijing Domestic Service
in Mandarin 2130 GMT 15 May 89

[Text] Chinese President Yang Shangkun met with Gorbachev, president of the Presidium of the USSR Supreme Soviet, and his party in the Great Hall of the People at 1815 on 15 May.

On behalf of the Chinese Government and people, President Yang Shangkun extended a warm welcome to Gorbachev for his visit. He said: There is a traditional friendship between the Chinese and Soviet peoples.

President Gorbachev's visit to our country this time has an important significance. The visit not only has been followed with interest by the Chinese and Soviet peoples but also has attracted great attention from the international communities.

Gorbachev welcomed the decision by the Chinese side to take this step. He said: Let bygones be bygones. No matter what has happened, we have joined with each other again now. We are sorry that problems have existed between our two countries in the past. We are responsible for them to certain extent. Our two countries need mutual understanding, respect, and trust in the future.

During their conversation, both sides reached the consensus that the problems encountered by the two countries in the course of reform are similar. Though there is no fixed pattern for reform, both countries may exchange their experience and learn from each other.

President Gorbachev extended an invitation to President Yang Shangkun to visit the Soviet Union. President Yang Shangkun accepted the invitation with pleasure.

Peng Chong, vice chairman of the Standing Committee of the National People's Congress [NPC], and Tian Jiyun and Wu Xueqian, vice premiers of the State Council, took part in the meeting.

RENMIN RIBAO on Yang Meeting

HK1605105089 Beijing RENMIN RIBAO in Chinese
16 May 89 p 1

[Report by reporters Zhou Xiangguang (0719 6272 0342) and Wen Xian (3306 2009): "Yang Shangkun Meets Gorbachev"]

[Text] Beijing 15 May—On behalf of the Chinese Government, President Yang Shangkun met with Gorbachev, president of the Presidium of the USSR Supreme Soviet and general secretary of the Communist Party of the Soviet Union (CPSU) today, and extended a warm welcome to Gorbachev, the first leader of the USSR to visit China in 30 years. Yang Shangkun said: "We are very happy that you and other honorable Soviet comrades have come to Beijing for a visit."

The meeting of the two top leaders of China and the USSR took place this afternoon at the Great Hall of the People.

Yang Shangkun said: Time flies. It has been a long time since high-ranking leaders of the two countries met with each other; then, bilateral talks were impossible. There is a traditional friendship between the Chinese and Soviet peoples. President Gorbachev's visit to our country has an important significance. The visit not only has been followed with interest by the Chinese and Soviet people

but also has attracted great attention from the international community. We want very much to understand you; likewise, you are willing to understand us. He stressed that, President Gorbachev's visit to China is the result of bilateral efforts.

Gorbachev expressed his thanks to President Yang Shangkun for inviting him to visit China. He said that the USSR and the whole world are in a phase marked by profound changes. Both China and the USSR have displayed their wisdom and foresight, and have made contributions to improving relations. You have just said that time flies; that is true. Therefore, we should not waste any more of our time. Here I express, on behalf of the Soviet leadership, my regret over the problems that existed between our two countries in the past. We are responsible for them to a certain extent. It is fine that all that is over now. Our two countries need mutual understanding, respect, and trust in the future, he added.

In a briefing, President Yang Shangkun told Gorbachev about China's reform. Then, he added, every country has its own specific conditions whether in economic or political reform. Without reforms, China's development would be hopeless. We could not continue on the old way. On the one hand, it is imperative to carry out reforms; on the other, there is no ready pattern to follow in reforms. Sometimes, mistakes in decision-making and problem-handling are inevitable. Experiments and explorations have to be conducted in many things, and a blueprint for everyone to copy does not exist.

The possibilities for exchanging views on reforms are great. We are interested in reforms conducted in the USSR, and wish them success, he added. In response, Gorbachev also expressed that the USSR is very interested in things going on in China.

Gorbachev extended an invitation to Chairman Yang to visit the USSR, and Chairman Yang has accepted the invitation with pleasure.

The meeting concluded when President Yang Shangkun expressed his belief that President Gorbachev's visit to China would be successful.

Peng Chong, vice chairman of the Standing Committee of the National People's Congress, and Tian Jiyun and Wu Xueqian, vice premiers of the State Council, as well as Soviet Foreign Minister Shevardnadze, who accompanied Gorbachev on the visit to China, also took part in the meeting.

More on Yang Shangkun-Hosted Banquet
OW1505134689 Beijing Domestic Service
in Mandarin 1100 GMT 15 May 89

[From the "National Hookup" program]

[Text] According to a station report, Chinese President Yang Shangkun held a grand banquet at the banquet hall of the Great Hall of the People tonight to welcome President Gorbachev and Madame Gorbachev who are visiting China.

Attending the banquet were Premier of the State Council Li Peng and his wife, Zhu Lin; Peng Chong, vice chairman of the Standing Committee of the National People's Congress; Tian Jiyun and Wu Xueqian, vice premiers of the State Council; Chen Xitong, mayor of Beijing; Qian Qichen, foreign minister; Wu Xiuquan, president of the China-USSR Friendship Association; Luo Gan, general secretary of the State Council; and the responsible persons of various departments under the CPC Central Committee and the State Council.

Yang Shangkun and Gorbachev spoke at the banquet one after the other.

Yang Shangkun expressed warm welcome to Gorbachev and his wife. He said: President Gorbachev's visit offers an opportunity for the first meeting between the leaders of China and the Soviet Union at the highest level over a very long period of time. All this will signal the beginning of the normalization of Sino-Soviet relations.

Yang Shangkun said: Today, the two giant neighbors, China and the Soviet Union, bidding good-bye to the past and opening up a new future, are exploring ways to establish a new type of relationship on the basis of the five principles of peaceful coexistence. This helps push forward the current world trend and accords with the aspirations of the people of the two countries and the rest of the world.

Yang Shangkun pointed out: We hope and believe that your visit can and should make an important contribution to resolving the major problems existing between our two countries and laying a sound foundation for long-term, steady, and healthy development of our bilateral relations.

Yang Shangkun pointed out: Sino-Soviet relations constitute an important component of the overall international relations. Today, not only the Sino-Soviet relations should be normalized, but the entire international relations should also be normalized and made healthy.

In his speech at the banquet, Gorbachev said: The USSR-China relations are entering a new period. It is not easy to have the present Soviet-Chinese meeting, for this requires both sides to make sustained efforts to overcome negative factors and prejudice that had heavily loomed for many years over the relations between the two countries.

Gorbachev said: The concept of reform has accurately reflected the changes in our entire society. Our two countries have already gone into action. Other socialist countries are also making innovations. We have come to realize that more and more countries are carrying out reform, and socialism is entering a new stage of development.

In his speech at the banquet, Gorbachev also expressed his views on some international issues.

Prior to the banquet, President Yang Shangkun met with President Gorbachev. The guest and the host exchanged views on issues of mutual interest.

Beijing TV on Banquet

OW1505184689 Beijing Television Service
in Mandarin 1300 GMT 15 May 89

[Text] [Video opens with long shot of the dining hall with Chinese and Soviet national flags hung side by side on the center of the wall] Chinese President Yang Shangkun held a grand banquet at the Great Hall of the People at 1920 [0920 GMT] this evening to warmly welcome President Gorbachev and his wife Raisa, who are visiting China.

[Video shows Gorbachev drinking with Yang Shangkun and Li Peng, followed by a pan shot showing Raisa, Zhu Lin, Li Peng, Wu Xueqian and others seated at a long table] Attending the banquet were Premier Li Peng and his wife, Zhu Lin; Tian Jiyun and Wu Xueqian, vice premiers of the State Council; Peng Chong, vice chairman of the NPC Standing Committee; and others.

[Video shows Yang Shangkun making speech, with intercuts of closeups of Gorbachev and panshots of others, including Li Peng, Tian Jiyun, Shevardnadze, Peng Chong, and Qian Qichen] In his speech, President Yang Shangkun said: China and the Soviet Union are close neighbors linked by mountains and rivers, and the two peoples have maintained a traditional friendship. The relations between the two countries traversed a tortuous course in the past. Today, we have come to a new starting point. President Gorbachev's visit marks the first meeting between leaders of China and the Soviet Union at the highest level in 30 years. In the next few days, Gorbachev will meet Chairman Deng Xiaoping and have talks and meetings with Zhao Ziyang, Li Peng, and other Chinese leaders. All this will signal the beginning of the normalization of Sino-Soviet relations. Today, the two giant neighbors, China and the Soviet Union, bidding goodbye to the past and opening up a new future, are exploring ways to establish a new type of relationship on the basis of the five principles of coexistence. This helps push forward the current world trend and accords with the desire and aspirations of the people of the two countries and the rest of the world. It has not been easy for leaders of the two countries to come to this historic meeting. We must value and safeguard what has already been achieved and continue to address the remaining problems. It calls for our unremitting efforts to ensure a broad prospect. We hope and believe that your visit can and should make an important contribution to resolving the major problems existing between our two countries and laying a sound foundation for long-term, steady, and healthy development of our bilateral relations.

Yang Shangkun said: The Chinese people cherish friendly sentiments toward the Soviet people. Over the past seven decades or more, the Soviet people have, through their creative work, brought about significant

changes in the Soviet Union and in recent years are undertaking a journey of comprehensive reform. The Chinese people have followed your reform with interest and wish you success. Comrade President, when leaders of our two countries meet here, the people of China and the Soviet Union and the rest of the international community are all watching us. I believe that they hope to see a new healthy Sino-Soviet relationship that is for the good of our two peoples and world peace and stability as well. I also believe that so long as our two sides work hard in this connection, we will definitely live up to the expectations of the people of China and the Soviet Union and the rest of the countries in the world. I wish President Gorbachev's visit to China every success. [applause]

[Video cuts to long shot of the dining hall, showing Gorbachev mounting the rostrum. Video then gives medium shots of Gorbachev speaking, with intercuts of a closeup of Yang Shangkun, a medium shot of Tian Jiyun and Shevardnadze, and a pan shot showing others seated at round tables] President Gorbachev delivered a speech at the banquet. He said: During these days, something which is considered unusual from all angles is taking place in China's capital. That is, the two largest countries in the world, which share a common border as long as 7,500 kilometers, have shifted their relations onto a solid and healthy foundation. That is the first meeting between the state leaders of our two socialist countries in 30 years. Today, we have reason to say that Soviet-Chinese relations are entering a new period, for great changes have taken place in our two countries along with the changes in other parts of the world. During the past decade, China has emerged from the world with a new image. The Soviet people applaud and understand the enthusiasm that impels China in its desire for modernization in all spheres of social life.

Gorbachev said: Here, please allow me to use a traditional political term in China—the three agree's—in expressing my views concerning the development of Soviet-Chinese relations. First, we agree to adhere to the principles which have been universally recognized in international norms. These are the principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, mutual noninterference in each other's internal affairs, equality and mutual benefit and peaceful coexistence. Next, we agree to strengthen economic and cultural cooperation and actively engage in political dialogue at all levels of the state and in all sectors of society. We firmly believe that this kind of cooperation will benefit the people of both countries and help them smoothly achieve their own major targets. Lastly, we agree to cooperate with each other in solving the current pressing issues in the world. Naturally, the Soviet Union and China make policy decisions, independently. Each country has its own emphasis. Our views are not always identical, but there is a rather large sphere in which it is possible and appropriate to carry out such cooperation.

Primarily, this refers to the fact that our two countries can make joint contributions to solving contemporary

global issues and consolidation of peace and security in Asia. The above-mentioned three agree's constitute the basis for the preparatory work for this meeting. They strongly prove that the improvement of Soviet-Chinese relations is not aimed at any third country, and in the final analysis, are to the advantage of the entire international community. Today, we had the opportunity to see some buildings, and when we drove on the road, we saw the capital city and some of the residents here. What gave us the deepest impression was their frank, sincere, and friendly attitude toward the Soviet people. I think this shows most convincingly that the normalization of Soviet-Chinese relations has the great support of the Chinese people. I think you can believe that the Soviet people have the same feeling.

[Video cuts to long shot of dining hall, followed by medium shot of Gorbachev drinking with Yang Shangkun and Li Peng] The guests and hosts toasted the good-neighborliness between China and the Soviet Union and the friendship between the two peoples.

Further Gorbachev Remarks on Ties
OW1505143189 Beijing XINHUA in English
1339 GMT 15 May 89

[Text] Beijing, May 15 (XINHUA)—Soviet leader Gorbachev said here today that the Soviet-Chinese relations "are entering a qualitatively new stage."

In his speech delivered at the banquet held by Chinese President Yang Shangkun in his honor, Gorbachev said the new relations have resulted from the facts that both countries have changed and the world around them is now different.

He said that the way towards this meeting was not an easy one, it required from both sides wisdom, responsibility and perseverance in removing the negative aggravations and prejudices that marred the bilateral relations for so many years.

He said the current decade has unveiled China's new image to the world and Soviet people applaud and understand the enthusiasm that impels China in its desire for modernization in all spheres of social life.

Gorbachev said that big changes are also taking place in the Soviet Union and the processes which are under way there are best captured by the concept of perestroika.

He said, "we are dismantling everything that slowed down or impeded our development and distorted our objectives and ideals. At the same time, new state and social mechanisms are being formed."

He said that the processes of change is [as received] spreading to an ever wider range of countries and gradually taking over in the sphere of international relations.

The current generations face a very difficult and at the same time noble task—to build, step by step, a new international order.

Four years ago, Gorbachev said that they initiated an in-depth analysis of international relations, and "together with perestroika, emerged something that is now generally known as new political thinking."

"We are prepared to translate it into practice in our (?relations) with China," he said.

He said, "May I on this occasion resort to the political terminology traditional for your country to present my approach to development of the Soviet-Chinese relations by making three affirmations."

"First, we say 'yes' to such generally recognized principles of international relations as mutual respect for sovereignty and territorial integrity, non-aggression, non-interference in internal affairs, equality, mutual benefit and peaceful coexistence," Gorbachev said.

Secondly, he said, "we say 'yes' to cooperation in the economy and culture and to an intensive political dialogue at all levels and in all areas, both governmental and public. We are convinced that such cooperation will benefit both peoples and help them better attain the lofty objectives they have set for themselves."

Finally, he said, "we say 'yes' to interaction of our two countries in looking for solutions of urgent international problems. Of course, both the Soviet Union and China are independent in terms of decision-making; each has its own priorities; our views are not always identical."

"Yet there exists a broad area in which such interaction is both possible and appropriate. This, first of all, applies to our joint contribution to solving global problems of today and to strengthening peace and security on the Asian Continent," he said.

Gorbachev said, "Those three affirmations on which we proceeded in preparing for this meeting vividly show that the improvement of the Soviet-Chinese relations is not directed against any third country. The entire world community stands to gain from that improvement."

Yang, Gorbachev Exchange Greetings
OW1605111389 Beijing in Russian to the USSR
1900 GMT 15 May 88

[Text] On the evening of 15 May, Yang Shangkun, president of the People's Republic of China, hosted in the Beijing Great Hall of the People a grand banquet in honor of Mikhail Gorbachev, chairman of the USSR Supreme Soviet Presidium and general secretary of the CPSU Central Committee, and his entourage.

Speaking at the banquet, Yang Shangkun, chairman of the PRC, said: [Yang heard briefly in Mandarin, fading into announcer's Russian translation] China and the Soviet Union are neighboring countries connected by common mountains and rivers. Peoples of China and the Soviet Union are united by traditional friendship. In the past years, the Chinese-Soviet relations have traversed a tortuous road, but presently we arrived at a new boundary. The visit by President Mikhail Gorbachev is the first meeting in 30 years between the highest leaders of China and the Soviet Union. This signifies that the Sino-Soviet relations have entered a period of normalization. Presently, China and the Soviet Union, the two neighboring countries, have decided to draw a line through the past and open up the future. They have started to look for ways to establish new relations, based on the five principles of peaceful coexistence.

Yang Shangkun further noted: We are hopeful and convinced that the present Mikhail Gorbachev visit will introduce, and undoubtedly can introduce, an important contribution to the solution of important questions that exist between our two countries, and, as a result, will develop a good foundation for the long-term, stable, and healthy development of our relations.

Touching upon PRC foreign policy, Yang Shangkun said: Presently, it is not only the Sino-Soviet relations that should be normalized, but the whole complex of international relations should be normalized and made healthy. We support the idea that all countries of the world—be they poor or wealthy, large or small, weak or strong, with the same or different social system—should adhere to these principles in solving their mutual relations.

Being entirely devoted to the cause of the reform and construction, so as to modernize the country, the Chinese people are interested in maintaining peace; they passionately love and cherish peace. China is prepared, on the basis of the five principles of peaceful coexistence, to establish, support, and develop relations of friendship and cooperation with all countries of the world. We are convinced that should all the people and countries of the world jointly exert tireless efforts, then, step by step, it will become possible to achieve the noble goal of establishing a new international political order.

In conclusion, President Yang Shangkun said: The Chinese people cherish the feeling of friendship with the Soviet people. The Chinese people with great attention follow the restructuring that is being carried out in your country and wish you successes in this sphere.

Then, Mikhail Gorbachev made a speech. He said: The road to these things was not simple. It required of both sides the wisdom, responsibility, and persistence in overcoming the negative stratification and convictions that have been burdening our relations for many years. Presently, we have the right to say that these relations are

entering a qualitatively new stage. The last decade presented a new image of China. We hope the leadership and people of China successfully solve the problems that arise on this road and secure an assured progress for their socialist motherland.

As you know, great changes are taking place in the Soviet Union. The radical transformations, started at the CPSU's initiative, have become the vital cause of the working class and all the working people of our country. The living generations were destined to have a very complex and, at the same time, noble task: to construct, step by step, a new international order. We believe in a satisfactory result and a better future.

Allow me to use on this occasion the political lexicon, traditional for your country, and outline our approach to the development of the Soviet-Chinese relation, by means of three affirmations. We say our first yes to such generally accepted principles of international relations as mutual respect of sovereignty and territorial integrity, nonaggression, noninterference in internal affairs, equality, mutual benefits, and peaceful coexistence. We say yes to cooperation in economy and culture, active political dialogue at all levels and in all spheres, such as state and public ones. Finally, we say yes to the interaction of our country in the solution of topical international problems.

Our viewpoints do not always coincide, but there is a sphere where such an interaction is both possible and expedient. The third affirmation, which was made the basis for the preparation for the present meeting, eloquently attests to the fact that the improvement of Soviet-Chinese relations is not directed against any third country. In the final analysis, the world community will gain from it.

Present at the banquet were Li Peng, premier of the PRC State Council, and his spouse, as well as Raisa Gorbachev, spouse of Mikhail Gorbachev; Shevardnadze, USSR minister of foreign affairs; and others.

Beijing Radio on Banquet, Speeches

*OW1605105489 Beijing Domestic Service
in Mandarin 2130 GMT 15 May 89*

[Text] According to a station reporter's report, yesterday evening Chinese President Yang Shangkun held a grand banquet at the banquet hall of the Great Hall of the People to welcome the visit of President Gorbachev and Madame Gorbachev to China.

Attending the banquet were Premier of the State Council Li Peng and his wife, Zhu Lin; Peng Chong, vice chairman of the Standing Committee of the National People's Congress; Tian Jiyun and Wu Xueqian, vice premiers of the State Council; Chen Xitong, mayor of Beijing; Qian Qichen, foreign minister; and the responsible persons of various departments under the CPC Central Committee and the State Council.

President Yang Shangkun spoke first. On behalf of the Chinese Government and the Chinese people, he expressed warm welcome to the visit of President Gorbachev and Madame Gorbachev, as well as other honorable Soviet guests.

Yang Shangkun said: China and the Soviet Union are close neighbors linked by mountains and rivers, and the two peoples have maintained a traditional friendship. The relations between the two countries traversed a tortuous course in the past. Today, we have come to a new starting point. Yang Shangkun said that it is not easy to have this historical meeting between the Chinese and Soviet leaders. This signals the relationship between China and the Soviet Union is on the way to normalization. He pointed out: Sino-Soviet relations constitute an important component of the overall international relations. Today, not only should Sino-Soviet relations be normalized, but the entire international relations should also be normalized and made healthy. Yang Shangkun expressed the hope and belief that the Gorbachevs' visit should and can make an important contribution to resolving the major problems existing between the two countries, and laying a sound foundation for long-term, steady, and healthy development of bilateral relations. Yang Shangkun said: China and the Soviet Union are bidding good-bye to the past and opening up a new future. If both sides make joint efforts, we can establish a healthy and new type of Sino-Soviet relationship which will not only bring benefits to the people of the two countries but also promote world peace and stability. In concluding his speech, Yang Shangkun proposed a toast for the normalization of relations between China and the Soviet Union.

President Gorbachev pointed out in his speech at the banquet: Soviet-Chinese relations are entering a new period. The two largest countries in the world, which share a common border as long as 7,500 kilometers, have shifted their relations onto a solid and healthy foundation. He held that it is not easy to have the Soviet-Chinese meeting, which requires both sides to make sustained efforts to overcome negative factors and prejudice that had heavily loomed for many years over the relations between the two countries. Gorbachev said: During the past decade, China presented a new image to the world. The reform in China elicits great interest in the world. He expressed hope that the Chinese Government and Chinese people will smoothly solve problems encountered in the course of reform and achieve steady progress for the socialist motherland. Gorbachev said: Socialism is entering a new development stage. Reform has very accurately reflected the evolutionary process that the entire society has undergone. Our two countries have begun to go into action. Other socialist countries are also entering the reform stage.

Gorbachev also expressed his views on the international situation and Soviet-Chinese relations in his speech. He said: We are in favor of mutual cooperation between the

Soviet Union and China in solving the pressing international issues today. Our two countries can jointly contribute to solving global problems today and to consolidating peace and security in Asia.

PRAVDA Carries Yang Shangkun Speech
PM1605093189 Moscow PRAVDA in Russian
16 May 89 Second Edition p 2

["Dinner With the PRC President"—PRAVDA headline]

[Text] Respected President M.S. Gorbachev and Raisa Maksimovna!

First of all, allow me, on behalf of the Chinese Government and the Chinese people, and also on my own behalf, to express warm greetings in connection with the official visit to our country by Comrade M.S. Gorbachev, chairman of the USSR Supreme Soviet Presidium and general secretary of the CPSU Central Committee, Raisa Maksimovna, and also the other high-level Soviet guests.

China and the Soviet Union are close, neighboring countries, linked by shared mountains and rivers. The peoples of China and the Soviet Union are linked by traditional friendship. In past years, Chinese-Soviet relations have traveled a tortuous path, but today we have come to a new point. The visit by President M.S. Gorbachev is the first meeting in 30 years between the top leaders of China and the Soviet Union. In these days you will have a meeting with Chairman [Predsedatel] Deng Xiaoping, and there will also be talks and meetings with Chinese leaders Zhao Ziyang and Li Peng. All this means that Chinese-Soviet relations have started on the road of normalization.

Thirty years is only a passing moment in the centuries of mankind's history. But huge changes have taken place in that time, both in the world as a whole and in China and in the Soviet Union. Mankind has entered a new historical period, a period of defending peace and aspiring toward development. Today China and Soviet Union, two large neighboring countries, have decided to strike a line through the past and open up the future; they have embarked on a search for paths to establish a new type of relations on the basis of the Five Principles of Peaceful Coexistence. This favors development of the aforementioned worldwide trends, and is in accordance with the hopes and aspirations of the peoples of China and the Soviet Union, and also the peoples of the whole world.

It was not easy for us to bring about a situation in which the leaders of our countries have been able to hold historic meetings. We ought to value the progress we have achieved and preserve it. We ought to continue our efforts to resolve those issues that remain unresolved: Tireless efforts will be required of us to create broad prospects. We hope and are sure that your visit will be

able to make—and will undoubtedly make—an important contribution to resolving major issues that exist between our two countries and will thus lay a good foundation for the long-term, stable, and healthy development of our relations.

Comrade Chairman!

Chinese-Soviet relations are an important integral part of the whole complex of international relations. Today not only should Chinese-Soviet relations be normalized, but the whole range of international relations should also be normalized and healthy. The Five Principles of Peaceful Coexistence have embodied the essence of a new type of international relations. They are universal norms for contacts between states and the most viable norms that have been tested in practice. We are in favor of all countries in the world—be they poor or rich, great or small, strong or weak, with the same or a different social structure—observing these principles in settling their mutual relations.

The Chinese Government believes that, in view of the evolution and development in the postwar world situation, the peoples of all countries of the world now face a common task: establishing a new international political order based on the Five Principles of Peaceful Coexistence.

Giving themselves wholly and completely to the cause of reform and construction with the object of modernizing the country, the Chinese people have an interest in maintaining peace; they love peace ardently and guard it. For this purpose, China will continue to implement unswervingly an independent peaceful foreign policy and pursue resolutely a general foreign policy course of struggle against hegemonism and the defense of peace throughout the world. China is prepared, on the basis of the Five Principles of Peaceful Coexistence, to establish, maintain, and develop relations of friendship and cooperation with all countries of the world. We are sure that if only all the peoples of the world and all states make tireless efforts together, then step-by-step it will be possible to achieve the noble goal of establishing a new international political order. With every day the planet on which we live will become more and more safe, more and more wonderful, and more and more prosperous.

Comrade Chairman!

The development of China is a part of world development. At one time, China was a poor and backward semi-colonial country: It was slighted, divided, enslaved, and plundered. Over the 40 years since the formation of our people's republic, the Chinese people, under the CPC's leadership, have done an enormous amount of work to develop their country. Ten years ago we embarked on the road of reform and openness, as a result of which the appearance of China has changed considerably. Although difficulties and zig-zags will still be encountered on our path of forward movement, we are

confident that if we adhere to the leadership of the Communist Party, adhere to the socialist path, adhere to the policy of reform and openness, conduct new quests unswervingly, and rely on the unity and selflessness of our people, then we will certainly overcome all manner of difficulties, deliver ourselves from poverty and backwardness, and achieve the goal we have set.

The Chinese people have feelings of friendship for the Soviet people. Over more than 70 years the Soviet people have, through their creative labor, achieved enormous changes in transforming the land of the Soviets, and several years ago they embarked on implementing global restructuring. The Chinese people follow with great attention the restructuring being carried out in your country and wish you success in this field.

Comrade Chairman!

Our meetings and the meetings of the leaders of our two countries are being followed with attention by the Chinese and the Soviet peoples, and also by the international community. I am confident that they hope to see a new type of Sino-Soviet relations on a sound foundation, relations of a kind that will benefit our peoples and also favor peace and stability throughout the world. I am also sure that given joint efforts by our two sides, we will undoubtedly justify the hopes of the peoples of China, the Soviet Union, and the other countries of the world. I wish you, Chairman M.S. Gorbachev, success in your visit to our country.

I invite you all to raise your glasses with me to the normalization of Sino-Soviet relations.

To the health of Chairman M.S. Gorbachev and Raisa Maksimovna,

To the health of the comrades present here.

Moscow TV Version of Gorbachev Speech
LD1505170989 Moscow Television Service in Russian
1430 GMT 15 May 89

[From the "Vremya" newscast]

[Text] Beijing May 15 TASS—The full text of the speech delivered by Mikhail Gorbachev, general secretary of the CPSU Central Committee and president of the USSR Supreme Soviet Presidium, at a dinner at the National People's Congress on May 15, 1989 follows:

Distinguished Chairman Yang Shangkun,

Distinguished comrades,

Friends,

First of all I would like to thank the leaders of the PRC for the invitation to visit your country, for the cordiality and hospitality we have felt from the very first hours of our stay in Beijing.

The Chinese capital is witnessing these days an event that is momentous by all standards: Relations between two of the world's major countries sharing a common 7,500-kilometre border are now being put on a solid, sound basis. Moreover, this is the first meeting between the leaders of our two socialist states in three decades.

The way toward this meeting was not an easy one, it required from both sides wisdom, responsibility, and perseverance in removing the negative aggravations and prejudices that marred our relations for so many years.

Today we have every right to say that these relations are entering a qualitatively new stage, both because our two countries have changed and because the world around us is now different.

The current decade has unveiled China's new image to the world. Soviet people applaud and understand the enthusiasm that impels your country in its desire for modernization in all spheres of social life.

The strides towards industrialization, transformation of agrarian relations, releasing of the people's consciousness and initiative, enrichment of the intellectual culture of Chinese society—all this has been brought about by bold and far-reaching reforms that are followed with keen interest all over the world.

We wish the leaders and the people of China every success in resolving the problems they face in this path and ensuring steady progress of their socialist motherland.

As you know, big changes are also taking place in the Soviet Union.

The processes underway in our society are best captured by the concept of restructuring. We are dismantling everything that slowed or impeded our development and distorted our objectives and ideals. At the same time, new state and social mechanisms are being formed that are designed to speed up our progress and considerably improve the Soviet people's quality of life.

The radical transformations launched at the initiative of the CPSU have now become of vital concern to the working class and all the working people of our country. And this is something that makes restructuring irreversible and reliably guarantees that our great cause, the cause of socialist renewal and of revealing socialism's humanitarian and democratic potential, will be crowned with success.

So, both our countries have been set in motion. However, a remarkable feature of the current situation is that other socialist countries, too, are undergoing renewal. Socialism is entering a new stage in its development where full use will be made of its creative potential.

We also see that the process of change is spreading to an ever-wider range of countries and gradually taking over in the sphere of international relations. The current generations face a very difficult, and at the same time noble task—to build, step-by-step, a new international order.

Mankind will run into numerous obstacles along this road. The changes that have taken place in the world in recent years and decades are far from being unambiguous.

True, encouraging trends have taken shape in many spheres of international life. One inalienable, and most important, element of international relations today is a continued political dialogue, in particular on a multilateral basis, in which the public is also engaged now. In other words, people's diplomacy is actively assisting and complementing official diplomacy.

We succeeded in making first steps in the field of disarmament and in initiating the process of political settlement of regional conflicts, which for decades were among the main sources of international tension and more than once brought the world to the brink of disaster.

There is in relations between nations a growing measure of trust and willingness to cooperate in the interests of solving acute global problems.

But it is no less true that the world remains fragile and vulnerable. Military arsenals still exist and are in some respects even expanding.

Modernization of weapons has not yet stopped, hence the emergence of new, even more lethal types of weapons is still possible. The risk of an ecological disaster is growing since nature is no longer capable of neutralizing the waste of the technological civilization and needs urgent help. There remains a most pressing problem of eliminating hunger and poverty, of overcoming the economic underdevelopment of many countries.

One of the main themes of the ancient Chinese philosophy and, indeed, the philosophies and epochs of many other peoples is the struggle between light and darkness, between good and evil. We can say that these two opposing ideas are now engaged in a particularly irreconcilable battle. Humanity is now at a crossroads. The next few years will be critical in determining whether humanity will be able to travel along the road of light and curb the looming threats, or civilization will slide toward its end.

We believe in a happy outcome, in a better future. And this is not just wishful thinking, this reflects our confidence based on our assessment of the real processes underway in the international arena and the vast potential of political and social forces that stand for peace.

One can appreciate the measure of responsibility shouldered by every person and, in the first place, certainly, by those who are entrusted with the task of leading states and shaping their policies.

In these circumstances every country and every people reassesses their place in the world. We initiated this kind of an in-depth analysis four years ago, and, together with restructuring, something emerged that is now generally known as new political thinking.

The main concepts in this thinking are familiar to our distinguished Chinese comrades. We are prepared to translate them into practice in our relations with China.

May I on this occasion resort to the political terminology traditional for your country to present my approach to the development of Soviet-Chinese relations by making three affirmations.

First, we say "yes" to such generally recognized principles of international relations as mutual respect for sovereignty and territorial integrity, non-aggression, non-interference in internal affairs, equality, mutual benefit and peaceful coexistence.

We say "yes" to economic and cultural cooperation, to an intensive political dialogue at all levels and in all areas, both governmental and public. We are convinced that such cooperation will benefit both peoples and will help them better attain the lofty objectives they have set for themselves.

Finally, we say "yes" to interaction of our two countries in looking for solutions to urgent international problems. Of course, both the Soviet Union and China are independent in terms of decision-making—each has its own priorities, and our views are not always identical. Yet a broad area exists in which such interaction is both possible and appropriate. This, first of all, applies to our joint contribution to solving global problems of today and to strengthening peace and security on the Asian Continent.

Those three affirmations on which we proceeded in preparing for this meeting vividly show that the improvement of Soviet-Chinese relations is not directed against any third country. In the final analysis, the entire world community stands to gain from that improvement.

Those are the points of departure we have brought here, to Beijing. It is certainly premature to predict what issues may arise in the course of discussions. In any event, I wish to emphasize that the Chinese side may count on our benevolent and unbiased approach to discussing any problem.

Comrades,

Our visit to China is relatively short and, naturally, most time will be devoted to political talks. Yet, to be frank, my wife and I have come here anxious to get firsthand knowledge of one of the most ancient and original civilizations of the world and to get the feel of life in your country.

Today we have already managed to see some architectural monuments, to drive through the streets of the capital and meet its residents—albeit briefly. The openness and friendliness of its residents toward us, Soviet people—we saw this in the signs of welcome—have left a strong impression.

I think this best testifies to the fact that the normalization of Soviet-Chinese relations meets with a warm response in the hearts of the Chinese people. I wish to assure you that Soviet people entertain the same feelings and views.

I wish to propose a toast to the good health of Comrade Yang Shangkun and other Chinese leaders present here.

To good-neighbourliness between our two countries and to friendship between our great peoples.

Tiananmen Wreath Ceremony Cancelled
*HK1505154089 Hong Kong AFP in English 1536 GMT
15 May 89*

[Text] Beijing, May 15 (AFP)—A wreath-laying ceremony in Beijing's Tiananmen Square scheduled to be attended by Soviet President Mikhail Gorbachev Tuesday has been cancelled, a Soviet Foreign Ministry spokesman said Monday.

"The Chinese side believe that no wreath can be laid tomorrow" at the Monument of the People's Heroes, spokesman Gennadiy Gerasimov told a press conference, adding that "there is no alternative."

The presence of tens of thousands of pro-democracy protesters on Tiananmen Square Monday had seriously disrupted the first day of Mr. Gorbachev's visit here for a summit that ends a 30-year rift between the Soviet Union and China.

Gerasimov: 1st Day of Visit 'Successful'
OW1505183589 Beijing XINHUA in English
1751 GMT 15 May 89

[Text] Beijing, May 15 (XINHUA)—Soviet Spokesman G.I. Gerasimov described Mikhail Gorbachev's first day in China as "successful", saying his initial talks with Chinese leaders were conducted in a friendly and understanding attitude from both sides.

Speaking at a press conference late into the night, the spokesman said Gorbachev and Chinese President Yang Shangkun agreed that the principle for developing bilateral relations should be "put an end to the past and look forward into the future".

As both the Soviet Union and China are carrying out reforms, they should go along their own paths based on their respective characteristics, but they can compare notes with each other, said Gerasimov, member of the Collegium of the Soviet Foreign Ministry.

To a question on whether Gorbachev would meet Beijing citizens on the street, the Soviet spokesman said: "I have not heard of such an arrangement."

Asked to comment on the demonstration taking place at Tiananmen Square, Gerasimov said, "we fully understand what is happening here, for similar situations have happened in our country too."

'Historic' Deng-Gorbachev Meeting Reported
OW1605013089 Beijing XINHUA in English
0105 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Deng Xiaoping, chairman of the Chinese Central Military Commission, met with Mikhail Gorbachev, president of the Presidium of the Supreme Soviet of the USSR and general secretary of the Central Committee of the Communist Party of the Soviet Union, here this morning.

This is the first Sino-Soviet summit in three decades. The historic meeting between Deng and Gorbachev marks normalization of the relations between China and the Soviet Union.

More on Summit Beginning
OW1605014289 Beijing XINHUA in English
0121 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Chairman Deng Xiaoping and Soviet leader Mikhail Gorbachev met in the Great Hall of the People here this morning, kicking off the first summit between Chinese and Soviet leaders in three decades.

This historic meeting marks normalization of the relations between the two countries.

Several hundred Chinese and foreign correspondents gathered in the hall to cover this meeting. China's central television station and television networks of many foreign countries televised live the first few minutes of the meeting.

At about 10:00, Gorbachev entered the Great Hall of the People in the company of Soviet Foreign Minister E. A. Shevardnadze.

At 10:04, Deng and Gorbachev shook hands.

Chairman Deng Xiaoping asked Gorbachev, "What about your life in Beijing?" Three years ago, he asked Ceausescu to convey the message that leaders of China and the Soviet Union should restore their meeting and dialogue after removing the three obstacles as early as possible.

Deng said that for a long period problems in the international situation are very serious. Cold wars and confrontation are quite grave and have never been relaxed.

Gorbachev said he agreed to what Deng said.

Frankly speaking, Deng said, the central issue of the world is the Soviet-U.S. relations, for a long time, the general trend of the international situation was the continuation of arms race, "the boat goes up when the river rises" as a Chinese saying goes.

Deng praised Gorbachev's speech in Vladivostok. "People in the world saw something new in that speech, so did I. What the speech did not contain is the term 'new thinking,'" Deng said.

"Just like there was not such a term 'new international political order,'" Gorbachev responded.

Deng said: "But I saw that there might be a turning point in the U.S.-Soviet race, there might be a way out and the situation might turn from confrontation to dialogue."

Present at the meeting were Li Xiannian, chairman of the National Committee of the Chinese People's Political Consultative Conference; Yao Yilin and Wu Xueqian, vice-premiers of the State Council; Yan Mingfu, member of the Secretariat of the Chinese Communist Party Central Committee; and Qian Qichen, minister of foreign affairs.

The meeting is still in progress at press time. According to the schedule, the meeting will last for about two hours. Later, Deng Xiaoping will give a luncheon for Gorbachev, his wife Raisa and other Soviet visitors.

Lin Jiamei, wife of Chairman Li Xiannian, is expected to attend the luncheon.

Beijing TV on Meeting

OW1605045289

[Editorial Report] Beijing Television Service in Mandarin at 0059 GMT on 16 May carries 14-minute on-site live coverage of Deng Xiaoping's meeting with Soviet leader Mikhail Gorbachev in the Great Hall of the People.

The report begins with a medium shot of the national flags of China and the Soviet Union displayed in a large meeting room, while the announcer makes the following announcement: "Dear viewers, Chairman Deng Xiaoping will meet with President Gorbachev in the Great Hall of the People this morning. This is a meeting which is attracting worldwide attention. We are broadcasting an on-site live report on the meeting from the Great Hall of the People."

Video shows wide shots of the large meeting room with over a dozen lounge chairs arranged in a circle and a second row of chairs on each flank. Chinese and foreign newsmen are seen setting up cameras, milling around. Video shows medium shots of the PRC and USSR national flags in the meeting room.

Camera cuts to closeup of Deng Xiaoping walking into a hall from the right of the screen and Gorbachev approaching Deng from the left. Video shows Deng and Gorbachev firmly shaking hands and talking to each other through interpreters; their remarks are mostly indistinct but appear to be an exchange of pleasantries. Deng and Gorbachev face the camera and again shake hands. Deng is then seen walking amongst the Soviet guests shaking hands with Shevardnadze, Yakovlev, Maslyukov, Chazov, Rogachev, Primakov, Gerasimov, and others. Li Xiannian is seen following Deng. Then, Deng waves to the camera and together with Gorbachev walks into the large meeting room. Gorbachev is seen shaking hands with several unidentified Chinese before he and Deng take their seats. Long shots show Shevardnadze, Yakovlev, and Maslyukov sitting to Gorbachev's left.

Video shows closeups of Deng and Gorbachev seated on opposite ends of a coffee table; Deng sits to the left of the screen; a remark in Russian can be heard: I am sitting here because I can hear you better. Interpreters can be seen sitting behind Deng and Gorbachev. The following conversation can be heard; Deng's remarks are translated from Mandarin and Gorbachev's remarks from Russian; Deng speaks slowly but in a firm voice:

[Deng] How do you feel here?

[Gorbachev] You know, I did not sleep in Irkutsk, but everything is going well in Beijing.

[Deng] This is your first visit to China. I guess that this is also the first visit to China for many of the comrades present.

[Gorbachev] The comrade foreign minister visited before. Our Gosplan [State Planning Committee] Chairman Maslyukov is here for the second time, the health minister for the second time. Some comrades hardly ever leave China at all, like Comrades Rogachev and Troyanovskiy.

[Deng] Yes. As I just said, 3 years ago, I asked Comrade Ceausescu to forward a verbal message from me to you, hoping that we could remove the three obstacles and meet and hold dialogue with each other at an early date.

[Gorbachev] I remember it. This is very good stimulation for our thinking. And it turns out that everything has been done correctly and in a timely way.

[Deng] I was inspired by one of your speeches raising this question. For a long time, the international situation has been very grim.

[Gorbachev] I agree.

[Deng] The situation of cold war and confrontation has been grim and has not been relaxed so far. Frankly speaking, the central issue of the world is the issue of U.S.-Soviet relations. For a long time, the general situation was characterized by escalation of the arms race. The people of the world, including myself, have found that your speech at Vladivostok had new content. At that time, I did not know the term new thinking. [Translator says in Russian: There was no term like new thinking]

[Gorbachev] Just like there was no term such as new international order.

[Deng] At that time, I saw that there could be a turn or a solution to the arms race between the United States and the Soviet Union and that confrontation could be turned into dialogue.

The video abruptly cuts to a long shot of the meeting room as the announcer says: "Dear viewers, the meeting is still going on, but our live report will end here. Thank you." The on-site live coverage ends at 0113 GMT.

Meeting 'Warm and Friendly'

HK1605030589 Beijing ZHONGGUO XINWEN SHE
in Chinese 0231 GMT 16 May 89

["Deng Xiaoping Meets Gorbachev"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 16 May (ZHONGGUO XINWEN SHE)—This morning, at 1003 local time, Deng Xiaoping shook hands with Gorbachev for a long time in the Great Hall of the People. The Sino-Soviet summit began at this moment.

Deng Xiaoping expressed welcome to Gorbachev, and Gorbachev expressed gratitude.

After the two were seated, Deng asked Gorbachev: Are you having an enjoyable time? Gorbachev answered: I did not sleep when staying in Irkutsk, but I am very happy in Beijing.

Deng said: Three years ago, I asked Comrade Ceausescu to convey my message to Comrade Gorbachev, hoping that the three major obstacles would be removed and that our meeting and dialogue would materialize at an early date.

Gorbachev said: I remember this event. This gave a good impetus to our consideration. You did all this in good time.

Deng Xiaoping said: Over a long period, we faced a stern international situation. Gorbachev said: I agree. Deng added: The cold war and confrontation have never been relaxed. Frankly speaking, the central issue in the world remains the relationship between the United States and the Soviet Union. For a long time, the general tendency was the escalation of the arms race.

The meeting was held in a warm and friendly atmosphere, and laughter burst out from time to time. Behind the seats of Deng and Gorbachev hung the national flags of China and the USSR.

Deng on Possible U.S.-USSR Dialogue

HK1605030089 Hong Kong AFP in English 0254 GMT
16 May 89

[Excerpts] Beijing, May 16 (AFP)—The top leaders of the Soviet Union and China exchanged their first handshake in 30 years at the Great Hall of the People here Tuesday, and went straight to the heart of the matter.

Senior Chinese leader Deng Xiaoping reminded visiting Soviet President Mikhail Gorbachev how, three years ago, he had sent him a message by the intermediary of Romanian leader Nicolae Ceausescu.

The message, the 84-year-old Mr. Deng recalled, outlined the "three obstacles" he saw to normalizing relations between Moscow and Beijing and set in motion the wheels that eventually led to Tuesday's meeting. [passage omitted]

Their talks took place on a backdrop of continued student unrest that threw Mr. Gorbachev's first day in Beijing Monday into complete disarray, and Mr. Deng was visibly tense and keen to take the initiative during the first moments of the talks, broadcast live on Chinese television.

Mr. Deng warmly praised Mr. Gorbachev's contributions to world peace, calling him "the precursor of a new theory."

"Let us remember our situation during the long and very difficult past years," Mr. Deng said. "The world's major problem since the very severe Cold War has been relations between the United States and the Soviet Union, which were engaged in an arms race.

"Now, Comrade Gorbachev, you have taken new measures," Mr. Deng continued. "The entire world has noticed, and so have I.

"You are the precursor of a new theory.

"I think it is now possible that the arms race will change. I think it is possible that the confrontation between the United States and the Soviet Union will turn into a dialogue."

The two men sat side-by-side, with members of their entourage in chairs arranged in a semi-circle to either side of the two leaders.

Although he looked wan and tired, and sometimes appeared to grope for words, Mr. Deng did most of the talking—in a very weak voice—and often punctuated his remarks with gestures.

The relaxed Mr. Gorbachev appeared determined to put him at ease.

When Mr. Deng reminded the Soviet leader of his first mention three years ago of the three obstacles, Mr. Gorbachev joked that "one obstacle a year" had been lifted on the way to the summit.

The talks began with the customary exchange of pleasantries, Mr. Deng asking Mr. Gorbachev whether he was well, and the Soviet leader complaining that he had not slept well on his flight from Moscow via Irkutsk, Siberia.

The talks were scheduled to last for two hours until a lunch-time banquet and the two leaders, accompanied by their respective delegations, went behind closed doors.

Foreign Minister Eduard Shevardnadze and his deputy, the Kremlin's Asia expert Igor Rogachev, were in the Soviet delegation, and the Chinese group included former Chinese President Li Xiannian.

Mr. Gorbachev is scheduled to meet separately in the afternoon with Chinese Premier Li Peng and Communist Party General Secretary Zhao Ziyang.

The student demonstrations that wreaked havoc with Mr. Gorbachev's official program Monday also forced the cancellation Tuesday morning of a wreath-laying ceremony at the Monument to the People's Heroes on Tiananmen Square.

The huge square, just outside the Great Hall of the People, was still filled Tuesday with thousands of Chinese demonstrators, including students heading for the fourth day of a hunger strike for more democracy, and their supporters.

Workers, teachers and journalists had joined the students, including a group gathered under a banner identifying them as staff of the PEOPLE'S DAILY, official organ of the Chinese Communist Party.

XINHUA 'Special Feature' on Meeting
HK1605082189 Beijing XINHUA Hong Kong
Service in Chinese 0557 GMT 16 May 89

["Special feature" by Xin Huaishi (6580 2037 2514):
"The First Few Minutes of the Sino-Soviet High-Level Meeting"—XINHUA headline]

[Text] Beijing, 16 May (XINHUA)—At 1005 on 16 May 1989, Deng Xiaoping and Soviet leader Mikhail Gorbachev began the first high level Sino-Soviet meeting in 30 years.

This historic meeting marked the normalization of relations between the two countries.

Deng Xiaoping said to Gorbachev: "Welcome. I have been waiting to meet you for 3 years."

Gorbachev said he was very happy to meet Deng Xiaoping.

"The whole world is interested in our meeting," Deng Xiaoping said.

He added: "Three years ago I asked Comrade Ceausescu to take a letter to Comrade Gorbachev, hoping that we could remove the three obstacles and hold a meeting and a dialogue between us at an early date."

Gorbachev said: "I remember that. It prompted our consideration and was very timely."

Deng Xiaoping said: "We have long faced quite a grave international situation."

"I agree," Gorbachev replied.

Deng Xiaoping said: "One of your speeches made me think about this problem. For a long time we have faced quite a grave international situation. The situation of cold war and confrontation is very serious, and there has been no relaxation so far. Frankly speaking, world issues focus on U.S.-Soviet relations. For a long time the general situation has been characterized by the escalating arms race. Comrade Gorbachev's speech in Vladivostok enabled people around the world, including me, to see there was something new in his speech. At that time there was no such term as 'new thought.'"

Gorbachev said: "Similarly, there was no such term as 'a new international political order.'"

Deng Xiaoping said: "However, I notice a possible turning point in the U.S.-Soviet arms race. There may be a possible solution and the situation may shift from confrontation to dialogue."

Deng Xiaoping added: "Can we take this opportunity to announce the normalization of Sino-Soviet relations, which also indicates the normalization of relations between the two parties?"

At this moment personnel from both sides attending the meeting burst into warm applause.

Among those present at the meeting were: Li Xiannian, chairman of the National Committee of the Chinese People's Political Consultative Conference; Yao Yilin and Wu Xueqian, vice premiers of the State Council; Yan Mingfu, member of the CPC Central Committee Secretariat; and Qian Qichen, minister of foreign affairs.

Several hundred Chinese and foreign reporters covered this meeting, which was the focus of world attention. The central television station and many foreign television stations carried live coverage of the first few minutes of the meeting.

Normalization of Relations Announced
OW1605055989 Beijing XINHUA in English
0532 GMT 16 MAY 89

[Text] Beijing, May 16 (XINHUA)—The meeting between Chinese senior leader Deng Xiaoping and Soviet leader M. Gorbachev here this morning marks the normalization of the state and party relations between China and the Soviet Union.

Deng Xiaoping, chairman of the Central Military Commission, asked Gorbachev "whether we can take this opportunity to announce the normalization of the Sino-Soviet relations. This also means the normalization of the relations between the Chinese and Soviet Communist Parties."

All those present at the meeting warmly applauded in agreement.

Earlier at the meeting, Deng said that there might be a turning point in the U.S.-Soviet arms race, there might be a way out and the confrontation might turn to dialogue, and the arms race might cool down.

The hope is also the hope of the mankind, he added. Then a question rose before the Chinese people, that is, whether it is possible to improve the Sino-Soviet relations, and out of this motive, he asked Ceausescu to pass on his message to Gorbachev.

Gorbachev said that it has been three years since Deng put forward the issue of removing the three major obstacles, and it took one year to remove one obstacle.

More on Normalization of Relations

HK1605104789 Beijing ZHONGGUO XINWEN SHE
in Chinese 0740 GMT 16 May 89

[Report by correspondent Wang Xiaohui (3769 2556 2547): "Deng Xiaoping Meets Gorbachev; Sino-Soviet Relations Achieve Normalization"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 16 May (ZHONGGUO XINWEN SHE)—At 1000 this morning Deng Xiaoping met Mikhail Gorbachev and the meeting lasted for 2 and 1/2 hours.

Soon after the meeting began Deng Xiaoping said to Gorbachev: Let us use this opportunity to declare the normalization of relations between China and the Soviet Union. This evening, when you meet General Secretary Zhao Ziyang, you can also declare the normalization of relations between our two parties.

Deng Xiaoping said: This meeting can be summed up into eight Chinese characters that mean end the past and open up the future.

Gorbachev expressed his endorsement of this. He said: It is quite timely for us to do so. To have today's meeting materialize, we have done a lot of work.

Deng Xiaoping reviewed the history of major foreign powers committing aggression against China and the tortuous course the two parties and two governments of China and the Soviet Union had taken for a period of time in the past.

He said: The crucial problem is that all countries should be equal. Talking about past events is for the sake of forging ahead on a firmer basis. China will not commit aggression against other countries, thus presenting no threat to any country. Though relatively poor, China upholds independence.

Gorbachev said: As far as the past period of worsening relations between the two sides is concerned, the Soviets have held that they also committed mistakes. As for some of the problems in history, the situations were quite complicated. Although Chairman Deng's views are not groundless, the Soviet side still has some differing views.

The leaders of the two countries both indicated: What is past is past. The emphasis should be on looking ahead. More solid work should be done in developing the relations between the two countries.

They also explored issues concerning socialism. Gorbachev said: In the past we thought that socialism had only one model but reality has proved that this was not the case. In the last few years we have analyzed issues on

an item-by-item basis. We have not lessened our belief in Marxism-Leninism. We are trying to implement Marxism-Leninism in real life in the light of our country's concrete conditions.

Deng Xiaoping expressed his endorsement of this. He said: A genuine Marxist-Leninist should understand, inherit, and develop Marxism-Leninism according to current conditions. There is no fixed model of socialism on earth and such a model cannot possibly exist.

He said: The situation of the world, including science and technology, is developing and bringing about changes day by day. If Marxism-Leninism is not inherited and developed using new thinking and viewpoints, it will not be genuine Marxism-Leninism. All practices of sticking to conventions are bound to lead to failure. Each country can only build socialism in the light of its own specific conditions.

Gorbachev said: We are focusing our attention on what is going on in China with interest and have learned something useful therefrom.

Deng Xiaoping and Gorbachev also exchanged views on the Cambodian issue in an in-depth manner. Both sides have some points of agreement on the issue but have not reached a full consensus on it. They agreed that the foreign ministers of the two countries would continue to exchange views on the issue.

An official from the Ministry of Foreign Affairs informed this reporter that the meeting progressed in a friendly, frank, and sincere atmosphere.

Further on Deng-Gorbachev Remarks

HK1605062589 Hong Kong AFP in English 0613 GMT
16 May 89

[Text] Beijing, May 16 (AFP)—The communist bloc's own cold war ended Tuesday with a handshake in a besieged Beijing building, as the Soviet Union and China announced full normalization of their ties after 30 years of hostility.

The announcement came from China's top leader Deng Xiaoping, harassed by pro-democracy protests that went into their fourth day in Beijing's Tiananmen Square, just outside the Great Hall of the People where the historic agreement was reached with Soviet President Mikhail Gorbachev.

The 84-year-old Mr. Deng, who took China out of the Mao Zedong era and put it—with mixed fortunes—on the path to liberalism, was visibly affected by the combined effects of age and the month-long series of pro-democracy protests that have gone out of control.

Several thousand unarmed police and troops ringed the Great Hall of the People as Mr. Gorbachev and Mr. Deng went into the first meeting in three decades by top leaders of the two neighboring communist giants.

Outside, a crowd that swelled to 100,000 demonstrated in Tiananmen Square for democracy, press freedom and an end to corruption. Some 2,000 reached the steps of the Great Hall of the People as the Deng-Gorbachev meeting got under way, but later retreated.

The demonstrations threw Mr. Gorbachev's official program in disarray, forcing three changes Monday and the cancellation Tuesday of a wreath-laying ceremony at the Monument of the People's Heroes in Tiananmen Square, which was taken over by hundreds of speech-making protesters.

Weary as he looked, Mr. Deng appeared determined to take the initiative at Tuesday's Sino-Soviet summit, the first since the 1959 Beijing meeting of Mao and Nikita Khrushchev that marked the Beijing-Moscow break.

The official NEW CHINA NEWS AGENCY made the announcement shortly after the two leaders and their delegations went into a closed door session, saying:

"Deng Xiaoping, Chairman of the Central Military Commission, asked Gorbachev 'Whether we can take this opportunity to announce the normalization of Sino-Soviet relations. This also means the normalization of the relations between the Chinese and Soviet Communist parties'".

"All those present at the meeting warmly applauded the agreement," it said.

Mr. Deng also appeared more aggressive in the opening minutes of the meeting, doing most of the talking although he sometimes groped for words and his voice was at times barely audible.

He reminded Mr. Gorbachev that it was he who had taken the initiative to normalize ties with a message to Mr. Gorbachev three years ago through the intermediary of Romanian leader Nicolae Ceausescu, outlining the "three obstacles" he saw to putting Sino-Soviet ties back on track.

Mr. Gorbachev acknowledged this, saying: "I remember your message well. It led me to reflect on the three obstacles. It was a timely message."

Throughout the opening minutes of the talks, in the presence of journalists and broadcast live by Chinese television, Mr. Gorbachev appeared to be trying to put Mr. Deng at ease.

When Mr. Deng mentioned the three obstacles, Mr. Gorbachev joked that "one obstacle a year" had been lifted on the way to the summit.

The obstacles were the Soviet military presence in Afghanistan, the Vietnamese occupation of Cambodia and the Soviet troop buildup on the Chinese frontier.

The Soviet Union completed its withdrawal from Afghanistan in February, and on Monday—the first day of Mr. Gorbachev's visit here—began pulling out two-thirds of an estimated 50,000 troops stationed in Mongolia.

The only outstanding problem remains Cambodia, which Vietnam has promised to militarily evacuate by the end of September, and which is expected to figure high on the agenda of the talks here.

The two sides remain at loggerheads over the future role in Cambodia of the Beijing-backed Khmer Rouge, who were toppled in 1979 after four years of bloody rule in a military invasion by Soviet-backed Vietnam.

Mr. Deng had warm words of praise for Mr. Gorbachev.

"Let us remember our situation during the long and very difficult past years," Mr. Deng said. "The world's major problem since the very severe Cold War has been relations between the United States and the Soviet Union, which were engaged in an arms race.

"Now, Comrade Gorbachev, you have taken new measures," Mr. Deng continued. "The entire world has noticed, and so have I.

"You are the precursor of a new theory," he said.

"I think it is now possible that the arms race will change. I think it is possible that the confrontation between the United States and the Soviet Union will turn into a dialogue."

Foreign Minister Eduard Shevardnadze and his deputy, the Kremlin's Asia expert Igor Rogachev, were in the Soviet delegation at the talks, and the Chinese side included former Chinese President Li Xiannian.

Mr. Gorbachev meets later Tuesday with Premier Li Peng and Communist Party Secretary General Zhao Ziyang.

Deng, Gorbachev Fail To Agree on Cambodia
OW1605073689 Tokyo KYODO in English 0714 GMT
16 May 89

[By Antonio Kamiya]

[Text] Beijing, May 16 KYODO—China's top leader Deng Xiaoping on Tuesday declared an end to 30 years of hostility with Moscow with a handshake with Soviet leader Mikhail Gorbachev.

Deng met Gorbachev for two-and-a-half hours at the Great Hall of the People and later hosted a luncheon for Gorbachev and his wife Raisa, during which the two leaders toasted their renewed friendship.

While Deng and Gorbachev had no trouble in agreeing to heal their schism in state and party ties, they stumbled on specific issues.

A Chinese Foreign Ministry spokesman said they did not reach full agreement on the Kampuchean conflict, although the two sides shared some common ground.

They decided to leave the Kampuchea issue to be discussed between their foreign ministers, who will be meeting Wednesday, the Chinese Foreign Ministry official said.

Deng declared an end to the rift in both state and communist party-to-party relations at the beginning of the meeting, which took place in a "friendly, frank and sincere atmosphere," the official said.

It was the first summit meeting between the two countries since Soviet Premier Nikita Khrushchev met Chinese Communist Party Chairman Mao Zedong in Beijing in September 1959.

Deng told Gorbachev that he wanted to use the occasion of the meeting to announce the normalization of ties, and Gorbachev expressed his agreement, the official said.

The two then shook hands while other Chinese and Soviet officials attending the meeting applauded, he said.

Gorbachev admitted that Moscow was partly to blame for the past strains in bilateral ties, but said the Soviet Union did not necessarily share identical views with Beijing. History is an "extremely complex matter," Gorbachev said.

Deng reportedly responded that the two countries should look ahead to the future, saying "the past is already gone."

Cambodia Discussed 'In Depth'

HK1605081089 Hong Kong AFP in English 0805 GMT
16 May 89

[Text] Beijing, May 16 (AFP)—Soviet President Mikhail Gorbachev and China's senior leader Deng Xiaoping discussed Cambodia "in depth" during two-and-a-half hours of talks here Tuesday, a Chinese spokesman said.

The Chinese spokesman quoted Mr. Deng as saying that "both sides have some common ground (on Cambodia), but no complete agreement."

He did not elaborate.

The Cambodian question is the last to remain unsolved of the "three obstacles", according to China, to a full normalization—announced earlier Tuesday during the Deng-Gorbachev talks—of Sino-Soviet relations.

The other two were the Soviet military presence in Afghanistan and the Soviet troop buildup on the two countries' 7,500 kilometer (4,700-mile) common border.

The Soviets withdrew the last of their troops from Afghanistan in February, and on Monday—the first day of Mr. Gorbachev's visit here—began to pull out two-thirds of an estimated 50,000 troops they keep in Mongolia.

Moscow has also promised to reduce by 200,000 men the forces it keeps deployed in Soviet Asia.

Soviet-backed Vietnam has promised to pull out all of its troops from Cambodia by September 30, after more than a decade of occupation.

But the major disagreement between Moscow and Beijing is over the status of the Beijing-backed Khmer Rouge in a future coalition government to be set up in Phnom Penh after the Vietnamese withdrawal.

Moscow does not want the Khmer Rouge, who are held responsible for the murders of hundreds of thousands of Cambodians during their four-year rule, to resume power after the Vietnamese pullout.

Beijing, in turn, wants an end to the client regime the Vietnamese installed when they invaded in 1978, toppling the Khmer Rouge.

The Khmer Rouge are partners in the U.N.-recognized tripartite resistance coalition headed by Prince Norodom Sihanouk.

Most of the parties to the conflict agree the Khmer Rouge should be kept from power in post-Vietnam Cambodia, but they constitute the military muscle of the resistance and analysts fear the country will plunge into a civil war if they are politically eliminated.

The Soviet Union had announced before Mr. Gorbachev's trip ending 30 years of hostility between Moscow and Beijing that reconciliation would be their main aim.

The Chinese had said that Cambodia too would be a major issue, and that it would figure prominently on the agenda.

Bilateral Relations Discussed

OW1605080589 Beijing XINHUA in English
0730 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—The first Sino-Soviet summit in three decades began at 10:04 this morning, when Chairman Deng Xiaoping and president Mikhail Gorbachev shook hands warmly in the Great Hall of the People here in the Chinese capital.

Minutes after a friendly and frank exchange of remarks, Deng said, "Let us use the opportunity now to announce the normalization of relations between our two countries."

"Your meeting with General Secretary Zhao Ziyang tonight will also mark the normalization of relations between our two parties," Deng told Gorbachev, general secretary of the Communist Party of the Soviet Union.

After Gorbachev expressed his agreement to what Deng said, the two leaders locked in another hand-shake, arousing a warm applause from officials of both countries present.

Deng was glad to add that their summit may be summed up in one sentence of eight Chinese characters: "End the past and open up the future."

Expressing his agreement, the Soviet leader called the summit a prompt occasion, [as received] saying the Soviet side put a great amount of efforts in preparing for today's meeting.

During the meeting, Deng reviewed the years when China suffered invasion, oppression and territorial cession by foreign powers, as well as the period when relations between the two countries and parties experienced a tortuous path.

He stressed that the key issue is all countries must be equal. Reviewing the past is for the sake of making progress on a more solid foundation, he added.

China will not invade other countries, Deng said, nor will it pose a threat to any other country. China is relatively poor, but it will rely on itself for development, he added.

With regard to the past period when the bilateral relations deteriorated, Gorbachev said that the Soviet side also made mistakes.

As for some historical questions, the Soviet leader said that things are very complicated.

"Although Chairman Deng's views are not groundless," he said, "the Soviet side has some different views."

Both leaders agreed that let bygones be bygones and what counts is that the two sides should look forward and do more practical work to expand bilateral ties.

Speaking of the question of socialism, Gorbachev said that "in the past we used to think that there was only one pattern of socialism."

Facts show that there is not such a thing, he said, adding "we have analysed this question in the past few years. We have not reduced our belief in Marxism-Leninism, but have tried to apply it in our real life in line with our country's actual conditions."

Deng said he agreed with what Gorbachev said. He said that genuine Marxist-Leninists must understand, carry forward and develop Marxism-Leninism in accordance with the current situation.

There is no and there cannot be a fixed pattern of socialism, he stressed.

The world situation including the progress of science and technology is developing with each passing day, the Chinese leader said, adding that it is not genuine Marxism if it is not inherited and developed with new ideas.

Sticking to conventions could only lead to failure and all countries must build socialism in line with their own respective conditions, Deng added.

Gorbachev said, "We are following with keen interest what's happening in China, and have learned what is helpful to us."

The two leaders also had a detailed exchange of views on the question of Kampuchea. Both shared some viewpoints but failed to reach a complete agreement. They agreed to let their foreign ministers continue the exchange of views on this issue.

Deng Hosts Luncheon for Gorbachev

OW1605055089 Beijing XINHUA in English
0531 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Chairman Deng Xiaoping hosted a luncheon in honor of visiting Soviet leader Mikhail Gorbachev and his wife Raisa in the Great Hall of the People here today.

Earlier, Deng and Gorbachev met in a closed session for two and half hours. The Sino-Soviet summit, the first in three decades, marks normalization of the relations between China and the Soviet Union.

Present at the luncheon were principal members of Gorbachev's entourage, as well as Li Xiannian, chairman of the National Committee of the Chinese People's Political Consultative Conference, and his wife, Lin

Jiamei; Chinese Vice-Premiers Yao Yilin and Wu Xueqian; Yan Mingfu, member of the Secretariat of the Chinese Communist Party Central Committee; and Foreign Minister Qian Qichen.

Deng, Gorbachev Toast Normalization
OW1605055689 Beijing XINHUA in English
0533 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Chairman Deng Xiaoping and Soviet leader M. Gorbachev toasted normalization of the state and party relations between China and the Soviet Union at a luncheon here today.

The luncheon was hosted by Deng in honor of Gorbachev and his wife Raisa.

When the Soviet couple entered the Fujian Hall of the Great Hall of the People, Deng warmly shook hands with them.

Deng told reporters covering the event that his talks with Gorbachev went "very well."

Gorbachev said that he agreed with Deng's remarks.

At the beginning of the luncheon, Deng proposed a toast to the normalization of the state and party relations between China and the Soviet Union.

Gorbachev also warmly congratulated the normalization of Soviet-Chinese relations. He said not only the Soviet and Chinese people but also the people of the world as a whole are concerned about development of the international situation in a favorable direction and will give right assessments to the significance of the normalization of Soviet-Chinese relations.

He specially mentioned the contributions made by Deng Xiaoping to the normalization of relations between the Soviet Union and China.

Gorbachev pointed out that the constructive and equal dialogue developed by the two countries will make the relations between the two countries develop in greater depth and to a higher level.

He said he is sure that his visit to China will further strengthen the friendship existing between the two peoples for a long time.

Principal members accompanying Gorbachev to China attended the luncheon.

Also present were chairman of the National Committee of the Chinese People's Political Consultative Conference Li Xiannian and his wife Lin Jiamei, Vice-Premiers Yao Yilin and Wu Xueqian, member of the Secretariat of the Chinese Communist Party Central Committee Yan Mingfu and Foreign Minister Qian Qichen.

Gorbachev Greet Chinese People
OW1605083289 Beijing XINHUA in English
0812 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Soviet leader Mikhail Gorbachev and his wife Raisa Gorbachev left their car to greet Chinese people this afternoon on their way back to the Diaoyutai State Guesthouse after having met and had luncheon with Chinese leader Deng Xiaoping in the Great Hall of the People.

Gorbachev told the waiting crowd along the street sides that, on behalf of the Soviet people, he wanted to say hello to the Chinese people.

When the Soviet first couple and their motorcade were passing through a street in the southwest of downtown Beijing, Gorbachev turned down his car window, stuck his head out and raised his hands to greet those people waiting along the streetsides.

At about 14:13, he stopped his car, got off and said hello to the crowd and shook hands with some of them.

About five hundred workers, students and other people shouted "welcome, welcome" to the Soviet guests.

Gorbachev told the Chinese spectators that the Soviet-Chinese relations have been fully normalized and said: "Thank you", winning warm applause from the orderly crowd.

A Chinese woman handed over a card to Raisa, on which the Soviet first lady signed her name. Some people were busy in taking pictures of the Soviet couple.

Gorbachev told the masses that the Soviet and Chinese peoples enjoy a very good friendship.

After getting back in his car, Gorbachev commented on the episode just now to his wife and colleagues: "Very good, very good"

Demonstrations Cause Gorbachev Schedule Changes

Spokesman on Wreath-Laying Cancellation
OW1605061589 Beijing XINHUA in English
0557 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—The Chinese side had no alternative but to cancel the arrangement for President Gorbachev to lay wreath at the Monument of the People's Heroes at the Tiananmen Square this morning, Chinese Foreign Ministry spokesman Li Zhaoxing said here today.

In response to reporters, the spokesman said that, according to the original schedule, Soviet leader Gorbachev would have laid a wreath at the monument, which shows his friendly feelings to China.

But, the spokesman pointed out, the Chinese side had no alternative but to cancel the arrangement because fasting students and large numbers of onlookers remain at the Tiananmen Square.

Meeting Locations Changed

HK1605073089 Hong Kong AFP in English 0730 GMT
16 May 89

[Text] Beijing, May 16 (AFP)—Demonstrating students in central Beijing Tuesday forced Chinese General Secretary Zhao Ziyang and Premier Li Peng to switch their talks with Mikhail Gorbachev from the Great Hall of the People to the Soviet leader's temporary residence here.

The two Chinese leaders had to drive the 10 kilometres (seven miles) to a northern Beijing suburb for their separate talks with Mr. Gorbachev at the Diaoyutai foreign dignitaries' guest house, where the Soviet party is staying.

Mr. Gorbachev's first meeting on Tuesday, with senior Chinese leader Deng Xiaoping, was held as scheduled at the Great Hall of the People, but he again sneaked through a side door because of the presence of an estimated 100,000 demonstrators on Tiananmen Square just outside.

The Chinese Premier said after the "very useful" Gorbachev-Deng talks that they had marked a break with the past and opened the way to the future.

Mr. Gorbachev, for his part, noted that relations had now moved to a "new high", and agreed that the two countries should look to the future.

KGB security officials with the Soviet delegation were said to be fuming at the change in plans, which have dogged Mr. Gorbachev's visit since he arrived Monday to seal the normalisation of Sino-Soviet ties.

Announcing the cancellation of a scheduled wreath-laying ceremony Tuesday on Tiananmen Square, Chinese Foreign Ministry spokesman Li Zhaoxing said "the Chinese side had no alternative but to cancel the arrangement because fasting students and large numbers of onlookers" were there.

Tiananmen has been under occupation by pro-democracy demonstrators since Saturday.

It was the fifth change in just over 24 hours to Mr. Gorbachev's program, which has been badly perturbed by the demonstrations since he arrived here at mid-day Monday.

On Monday, a welcoming ceremony on Tiananmen was scrapped and held instead at the airport, his motorcade detoured to avoid demonstrating crowds on his drive

into town, and a meeting with President Yang Shangkun was delayed for two hours as he was whisked into the Great Hall of the People through a back door.

It was not clear how much notice the Soviet delegation had been given of the changes.

Soviet television reporters filming Mr. Gorbachev's arrival at the guest house from the airport Monday heard the Soviet leader ask his Chinese hosts: "Are there any more changes in the schedule?"

"Yes, we'll talk about it later," came the reply.

Li Peng, Gorbachev Hold Talks at Guesthouse

OW1605060389 Beijing XINHUA in English
0542 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Chinese Premier Li Peng started talks at the Diaoyutai State Guesthouse this afternoon with Mikhail Gorbachev, president of the Presidium of the Supreme Soviet of the USSR and general secretary of the Central Committee of the Soviet Communist Party.

Beijing TV Carries Li-Gorbachev Meeting

OW1605095389

[Editorial Report] Beijing Television Service in Mandarin at 0535 GMT on 16 May carries an 11-minute live video report on Li Peng's talks with Gorbachev.

The report begins with a caption reading "Li Peng Holds Talks with Gorbachev (Live Broadcast)." While an unidentified announcer says that the station is going to broadcast live the beginning portion of the talks between Premier Li Peng and President Gorbachev in Beijing this afternoon, the video shows the PRC national flag, backing up slowly to show a large conference room with a long oval table in the middle and the Chinese national flag and a Soviet national flag displayed on each side of the table.

At 0539 GMT, video shows a medium-range shot of Li Peng entering the hallway and walking up to Gorbachev, shaking hands and exchanging greetings in Russian with him. Then Li Peng introduces Tian Jiyun, Wu Xueqian, Qian Qichen, and other unidentified Chinese officials to Gorbachev, and goes on to shake hands with Shevardnadze, Yakovlev, Chazov, and Troyanovskiy, exchanging greetings in Russian. Gorbachev is seen at the rear. After Li Peng, Gorbachev, and Chazov have a small chat without an interpreter, Li Peng gestures to the Chinese and Soviet officials for a photo session. With the two leaders standing in the middle, they line up for the photographers. Li Peng thanks them and extends a welcome to the Soviet photographers before leading the Chinese and Soviet officials to the conference room.

At 0542 GMT, video shows the conference room, with the Chinese and Soviet officials entering the room and taking seats on each side of the long oval table, continuing chatting in Russian, and smiling. Seated to Li Peng's immediate right are an unidentified interpreter and Wu Xueqian, and Tian Jiyun is on Li's immediate left. To Gorbachev's immediate right are an unidentified interpreter and Yakovlev. Shevardnadze is on Gorbachev's left.

At 0543 GMT, Li Peng says: "Please allow me to once again extend, on behalf of the Chinese Government, myself, and my Chinese colleagues, a warm welcome to Comrade Gorbachev and other Soviet comrades."

"Thank you!" says Gorbachev.

Both leaders' remarks are translated passage-to-passage from Mandarin to Russian and vice versa.

Li Peng continues: "I have learned that Comrade Gorbachev and Comrade Deng Xiaoping had a very useful talk this morning. I am very pleased because it brings to an end our past and opens up the future, thus completing the normalization of Sino-Soviet relations. I am very pleased about this."

As Gorbachev listens to the Russian translation of Li Peng's remarks, he nods.

Li Peng says: "I propose that the two sides hold an extensive and penetrating exchange of frank talks on international issues and bilateral relations this afternoon. If President Gorbachev does not object, I would like to follow Chinese custom by inviting our guest to speak first. Of course, we will take the floor after they finish."

Gorbachev replies: "I'll begin in their [referring to the reporters and photographers] presence and will continue after they leave."

"Good," says Li Peng.

Then, Gorbachev begins: "First of all I would like to thank you and Chinese comrades for the warm hospitality accorded us during our stay in China ..." the announcer then cuts in, saying that attending the talks from the Chinese side are Vice Premiers Tian Jiyun and Wu Xueqian, and from the Soviet side Foreign Minister Shevardnadze and others.

At 0546 GMT, after the announcer says that this has been the live broadcast of the talk, video ends abruptly.

Venue of Meeting Changed

HK1605063689 Hong Kong AFP in English 0622 GMT 16 May 89

[Text] Beijing, May 16 (AFP)—The venue of Soviet President Mikhail Gorbachev's talks Tuesday afternoon with Chinese Premier Li Peng has been changed from the Great Hall of the People to Mr. Gorbachev's temporary residence at the nearby foreign dignitaries' guest house, Soviet sources said.

The sources said they did not yet know where Mr. Gorbachev's third meeting—with Chinese Communist Party General Secretary Zhao Ziyang—would be held.

Mr. Gorbachev met Tuesday morning at the Great Hall of the People with senior leader Deng Xiaoping, and his other talks were also scheduled to be held in the huge building on Beijing's central Tiananmen Square.

Tiananmen has been occupied by pro-democracy demonstrators since Saturday, and a crowd of more than 100,000 is currently demonstrating there.

It was the fifth change in just over 24 hours to Mr. Gorbachev's program, which has been badly perturbed by the demonstrations since he arrived here at mid-day Monday.

On Monday, a welcoming ceremony on Tiananmen was scrapped and held instead at the airport, his motorcade was detoured to avoid demonstrating crowds on his drive into town, and a meeting with President Yang Shangkun was delayed for two hours as he was whisked into the Great Hall of the People through a back door.

On Tuesday morning, Chinese authorities cancelled a wreath-laying ceremony at the Monument to the People's Heroes, which is in the center of Tiananmen Square and has been surrounded since Saturday by some 2,000 hunger strikers.

Mr. Gorbachev is staying at the Diaoyutai foreign dignitaries' residence, a rambling collection of villas scattered about a lake in a northern Beijing suburb.

Further on Li Peng-Gorbachev Talks

OW1605070489 Beijing XINHUA in English 0620 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Premier Li Peng said here that Gorbachev's meeting with Chinese leader Deng Xiaoping this morning is of great significance.

The meeting, Li added, marked an end to the past and opened a future. He said he was very happy about the normalization of Sino-Soviet relations.

Li made these remarks at the beginning of his talks with visiting Soviet leader M Gorbachev which began at 14:43 at the Diaoyutai State Guesthouse.

He suggested having wide-ranging, in-depth and candid talks with Gorbachev on international issues and bilateral relations.

Li Peng extended a warm welcome to Gorbachev and other Soviet visitors on behalf of the Chinese Government and his colleagues.

Gorbachev expressed thanks for the warm welcome and hospitality accorded him in China.

He told Li Peng: "I fully agree with your assessment of my meeting with Comrade Deng Xiaoping. I can reaffirm that our bilateral relations have been raised to a new high and entered a new stage. So, it can be said that Soviet-Chinese relations have been normalized. And I fully agree that we should look to the future."

At press time, the talks are still going on.

Li Remarks on Political Reform

OW1605102089 Beijing XINHUA in English
1001 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—"We don't think that freedom, democracy and human rights are a monopoly of the capitalist countries. People in socialist countries should also enjoy freedom, democracy and sufficient human rights," Chinese Premier Li Peng said here today.

"China is prepared to improve these aspects in its political reform," he said.

Li made these remarks during his talks here this afternoon with Mikhail Gorbachev, president of the Presidium of the Supreme Soviet of the USSR and general secretary of the Central Committee of the Soviet Communist Party, at the Diaoyutai State Guesthouse where the Soviet leader is staying during his current official visit to China.

Li noted that peace and development are a common desire of people of all countries. It is even more so to China, a developing country. China badly needs a peaceful external environment, and a stable internal environment at the same time. Only in this way can China achieve its modernization.

The talks, lasting for more than two hours, were conducted in a friendly and frank atmosphere. The two sides had an extensive exchange of views on international issues and bilateral relations.

Li Peng told Gorbachev, "you had a very good conversation with Chairman Deng Xiaoping this morning. Ending the past and opening up the future, the Sino-Soviet relations have been normalized. I feel very happy about this."

Gorbachev expressed thanks to the Chinese side for the warm welcome accorded him. He said the Soviet-Chinese relations have been raised to a new high and entered a new stage. In normalizing the relations, the two countries should look forward to the future, he said.

Referring to international issues, Li Peng said China is happy about the easing in the international situation.

Of course, problems still exist, he noted. Many hot spot issues are not yet to be solved. The danger of a nuclear war is still threatening the human race. And irrational economic relations exist in the world. Some countries are getting richer and richer while others are getting poorer and poorer.

Chinese Premier Li Peng said that China took note of Gorbachev's "new thinking" and the resultant new appraisal on many of the major and important issues.

China stands for establishing a new international political order which means that the relations between countries should be based on the Five Principles of Peaceful Coexistence, he said.

The Five Principles of Peaceful Coexistence was proposed by China, and practice over the past few decades has proved its effectiveness, Li added.

The Chinese premier also appreciated the Soviet-U.S. agreement on reducing intermediate missiles. He expressed the hope that both the Soviet Union and the United States can reach agreement on drastically reducing nuclear arms and especially strategic nuclear weapons.

Gorbachev said that the Soviet Union and China as well as the whole world are at a turning point and the Soviet Union and China both need normal external conditions.

The Soviet Union deems it necessary to deepen the reform so that socialism will have new contents, he said. The Soviet Union put forward new political thinking.

The Soviet leader held that the Soviet-Chinese relations should be based on the principles of peaceful coexistence, which means that the two countries should not return to those relations as in the 1950s and should depart from the relations of confrontation as in the 1960s and 70s.

It is natural for the Soviet Union and China to have different views on certain issues, but they should respect this divergence of views and each takes the other's position seriously so as to seek a balance of interests to a certain extent.

Speaking of bilateral relations, Premier Li told Gorbachev that China is willing to actively develop its relations with the Soviet Union, adding that China and the Soviet Union, sharing a borderline of more than 7,000 kilometers, should promote their goodneighborly ties.

There are many favorable conditions for advancing economic cooperation between the two countries, who can supply to each other's needs, Li added.

Gorbachev said the Soviet side believes there are great potentials for developing Soviet-Chinese cooperation.

The two sides also exchanged views on the promotion of Sino-Soviet trade and economic relations as well as other bilateral issues of common interest.

On behalf of the Soviet leadership, Gorbachev invited Li Peng to pay a visit to the Soviet Union. Li accepted the invitation with pleasure.

Chinese officials present at the talks were Vice-Premiers Tian Jiyun and Wu Xueqian, Foreign Minister Qian Qichen and Minister of Foreign Economic Relations and Trade Zheng Tuobin.

On the Soviet side were Minister of Foreign Affairs E A Shevardnadze, member of the Political Bureau of the Soviet Communist Party Central Committee A N Yakovlev, First Vice-Chairman of the Council of Ministers Yu D Maslyukov and Minister of Public Health E.I. Chazov.

Li Defends Students' Right to Demonstrate

HK1605120089 Hong Kong AFP in English 1150 GMT 16 May 89

[Text] Beijing, May 16 (AFP)—China's Prime Minister Li Peng Tuesday defended the rights of students who have wreaked havoc with the official program of the Sino-Soviet summit here.

Mr Li, an orthodox communist, has been one of the main targets of Chinese students demonstrating for more democracy over the past month.

"We do not think that liberty, democracy and human rights are patterns of capitalist countries," a Chinese spokesman quoted him as having told visiting Soviet President Mikhail Gorbachev.

"Socialist countries should also enjoy freedom, democracy and human rights. China is prepared to prepared to further these aspects in the process of political reform," the spokesman quoted Mr Li as saying.

The spokesman said Mr Li had "taken note of the new thinking of Mr Gorbachev," and the Soviet leader replied that the reforms he had launched in the Soviet Union "should be deepened."

Mr Li also said that China was happy with the improved atmosphere in international relations, but that "the problems are still there," the spokesman said.

"China needs very much a peaceful environment externally and a stable environment internally," the spokesman quoted Mr Li as saying. "Only with that can the task of full modernization be accomplished."

The two men met at the guest house for visiting dignitaries where Mr Gorbachev is staying instead of at the Great Hall of the People on Beijing's Tiananmen Square, where pro-democracy students Tuesday began the fourth day of a marathon demonstration.

Mr Gorbachev had had talks earlier Tuesday with senior Chinese leader Deng Xiaoping during which the two men announced the full normalization of Sino-Soviet relations after 30 years of estrangement.

Li Meets With Soviet Correspondents

OW1605120489 Beijing XINHUA in English
1140 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Chinese Premier Li Peng met Soviet correspondents at the end of his talks with the visiting Soviet leader M Gorbachev in the Diaoyutai State Guesthouse here this afternoon.

Li Peng stressed that the normalization of Sino-Soviet relations is not aimed at any third country.

He said that the Sino-Soviet summit will produce positive effects not only to the Asian-Pacific area, but also to the process of world peace and the stability of the world.

Li Peng answered the following questions put forward by Soviet correspondents: how to assess the talks between Gorbachev and Chinese leaders? What is his impression on the meetings between the leaders of the two countries? What are the prospects for development of Sino-Soviet relations after the summit? Whether the question of reducing troops along the Sino-Soviet border was discussed in the talks with Gorbachev? What is the significance of the normalization of Sino-Soviet relations to the Asian-Pacific area and the healthy development of the situation in the area in particular? What changes may take place in the relations among the Soviet Union, the United States and China following the normalization of the Sino-Soviet relations?

Li: Gorbachev Talks 'Very Good'

OW1605122189 Beijing XINHUA in English
1158 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Chinese Premier Li Peng described as "very good" his talks with Soviet leader Gorbachev here this afternoon.

Commenting on his talks with Gorbachev and his impression of the meeting at the request of a Soviet reporter, Li Peng said the talks proceeded in a friendly and frank atmosphere.

"Our talks covered issues on international and bilateral relations. We have identical or similar views on many issues," he added.

"We have some difference of views too. But it is natural. The most valuable thing is that we have exchanged different views, enhancing our mutual understanding," Li said.

The Chinese premier said he has a good impression of the new Soviet leadership.

"I think they are frank and willing to develop friendly relations between China and the Soviet Union. I have the feeling that they are well informed of world affairs. Compared with former Soviet leaders, they are more frank and flexible," he added.

Zhao Ziyang Holds Discussions With Gorbachev
OW1605104289 Beijing Television Service in Mandarin
0835 GMT 16 May 89

[Live relay from the Diaoyutai Guesthouse in Beijing]

[Text] [At 0835 GMT, video shows the caption: "Zhao Ziyang Meets Gorbachev (On-Site Live Broadcast)," followed by opening shots of the meeting hall with cushioned chairs arranged in a semicircle. Video cuts to show Zhao Ziyang standing, hands folded in front of him, waiting for the appearance of Gorbachev and other Soviet officials. Wu Xueqian and Tian Jiyun are seen standing behind him a few steps away. Wu Xueqian steps up to talk with Zhao for a while. Video intercuts between meeting hall and the waiting Zhao until Gorbachev shows up at 0839 GMT, when Zhao is seen stepping forward to shake hands with Gorbachev, talking through interpreters]

[Zhao] How are you?

[Gorbachev] I have been wanting to meet you for a long time. I have been accustomed to... [words indistinct]
[Video shows Gorbachev turning around to introduce Shevardnadze to Zhao. Zhao shakes hands with Shevardnadze]

[Zhao] You have just come from the Middle East. Correct? It is not easy to be a foreign minister.

[Gorbachev introduces Yakovlev to Zhao. Zhao shakes hands with Yakovlev. Zhao also shakes hands with Troyanovskiy, Shakhnazarov, and Rogachev when Gorbachev introduces them one by one]

[Zhao] Let's pose for a photo. [Zhao, Gorbachev pose for photo while shaking hands, then turn around and head for the meeting hall. Video cuts to show Zhao and Gorbachev stepping into the meeting hall, taking their seats. Closeup shots of Zhao and Gorbachev conversing through two interpreters]

[Zhao] Did you sleep well last night?

[Gorbachev] I have adjusted to the time difference. I am accustomed to the weather here. Starting today, I am ready to get to work.

[Zhao] You have a tight schedule. You seem to be fighting a tiring battle today.

[Gorbachev] Yesterday I talked about this situation. I said: We have just come directly from the reform of the Soviet Union to China. An important event is taking place in the relations of our two countries. I hereby extend to you the regards of all leading comrades of the Soviet Union and the CPSU.

[Zhao] Thank you very much. Comrades of our Central Committee all extend warm welcome to Comrade Gorbachev's visit to Beijing. Your high-level meeting with Comrade Deng Xiaoping this morning was the climax of your visit to Beijing, I mean, visit to China. I would say that your high-level meeting with him means the restoration and normalization of the relations of our two parties. So the normalization of the relations between our two parties took place this morning, not now.

[Gorbachev] The earlier the better; I agree with you.

[Zhao] Since the 3d Plenary Session of the 11th CPC Central Committee in 1978, Comrade Deng Xiaoping has been our party's leader, which is recognized at home and abroad. Although at the 13th party congress, according to his request, he withdrew from the Central Committee and the Standing Committee of the Political Bureau, our whole party knows that we cannot do without him, without his wisdom and experience. We formally adopted a decision at the 1st Plenary Session of the 13th CPC Central Committee—although this decision has never been published, it is a very important decision—that on the most important questions, we still need him as the helmsman. This information has never been published for the outside world until today.

[Announcer] The meeting is still going on. Our on-site live broadcast ends here. Thank you for viewing. [At 0847 GMT, video shows the caption: "This is the end of the live broadcast. Thank you for viewing"]

Gorbachev Comments on Deng Meeting
HK1605095089 Beijing XINHUA in English
0942 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Visiting Soviet leader Mikhail Gorbachev said here this afternoon that he was very satisfied with his meeting with Chairman Deng Xiaoping.

"We had a very detailed and substantial meeting this morning," he told Zhao Ziyang, general secretary of the Chinese Communist Party Central Committee at the Diaoyutai State Guesthouse during their meeting.

Gorbachev said: "We agree to Deng's concept of 'ending the past and opening up the future.'"

Zhao on Role of Deng's Guidance

OW1605100489 Beijing XINHUA in English
0948 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—General Secretary of the Chinese Communist Party Central Committee Zhao Ziyang said here this afternoon that Soviet leader Mikhail Gorbachev's meeting with Chairman Deng Xiaoping was the "climax" of his visit to China.

Zhao said Gorbachev's meeting with Deng this morning meant the normalization of the relations between the Chinese Communist Party and the Communist Party of the Soviet Union.

He told Gorbachev that Deng has been the leader of the Chinese Communist Party since the third plenum of the 11th CPC Central Committee held in 1978. Although Deng quit the Party Central Committee and the Standing Committee of its Political Bureau at his own request at the 13th National Party Congress in 1987, the Chinese Communist Party still needs his wisdom and experience.

Zhao revealed for the first time that a decision was made at the first plenum of the 13th Party Central Committee to the effect that Deng's guidance is still needed in dealing with most important issues.

Zhao on Sino-Soviet Party Relations

OW1605120389 Beijing XINHUA in English
1136 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—Chinese Communist Party General Secretary Zhao Ziyang put forth four principles for a smooth development of the relations between the Chinese and Soviet parties here this afternoon.

In a meeting with Soviet Communist Party General Secretary Mikhail Gorbachev, Zhao said the four principles are independence, fully [as received] equality, mutual respect and non-interference in each other's internal affairs.

He said he hopes the relations between the two parties will develop smoothly on the basis of the four principles.

"They are also the principles we follow when we handle our relations with communist parties of other countries," he said.

He said the Chinese Communist Party holds that only when relations among parties are based on the above four principles can they be mature, normal and steady relations.

"This is our summary of historical experience," he said.

Zhao Hosts Banquet for Gorbachev

OW1605112889 Beijing Domestic Service in Mandarin
0930 GMT 16 May 89

[From the "National Hookup" program]

[Text] Zhao Ziyang, general secretary of the CPC Central Committee, met with Gorbachev, general secretary of the CPSU Central Committee, and his entourage at Diaoyutai State Guesthouse at 1740 on 16 May. The two sides exchanged views on relations between the two parties.

Zhao Ziyang said: All comrades of the CPC Central Committee welcome your visit. The summit meeting between you and Chairman Deng Xiaoping is the climax of your current visit, indicating the normalization of relations between the two parties. This is why I said that the normalization of our interparty relations took place not just now but this morning.

Gorbachev said: The sooner, the better. I agree with you.

Zhao Ziyang continued: It has been universally acknowledged at home and abroad since the 3d Plenary Session of the 11th CPC Central Committee in 1978 that Comrade Deng Xiaoping is the leader of our party.

He said: Although the 13th CPC National Congress approved his request to resign from the Central Committee and the Standing Committee of its Political Bureau, it is the understanding of the whole party that his wisdom and experience is indispensable for us.

He said: The 1st Plenary Session of the 13th CPC Central Committee formally adopted an important decision which, although never made public, says that on most important questions, we still need him at the helm.

Zhao Ziyang told Gorbachev: This decision is made public to you today.

Gorbachev replied: Thank you for your trust in me. I had a fruitful and substantial meeting with Chairman Deng Xiaoping. We are very pleased with the meeting. We agree with Comrade Deng Xiaoping in saying that it is necessary to look toward the future.

Present at the meeting were Wu Xueqian, vice premier of the State Council; Qian Qichen, minister of foreign affairs; and Zhu Liang, director of the International Liaison Department of the CPC Central Committee.

After the meeting, General Secretary Zhao Ziyang gave a banquet for General Secretary Gorbachev and his wife and entourage.

Attending the banquet were Qiao Shi and Hu Qili, members of the Standing Committee of the Political Bureau of the CPC Central Committee, as well as Wu Xueqian, Qian Qichen, and Zhu Liang.

Chinese Press Covers Protests, Visit Equally
HK1605060289 Hong Kong AFP in English
0553 GMT 16 May 89

[Text] Beijing, May 16 (AFP)—The Chinese press gave equal weight Tuesday to the historic Sino-Soviet and student-led demonstrations which have disrupted President Mikhail Gorbachev's visit here.

Mr. Gorbachev had to share the front page in Tuesday's Chinese newspapers with the students' pro-democracy demonstrations, with hunger strikers on central Tiananmen Square also receiving attention.

Both the summit and the demonstrations—the two "great events" of the day—were accompanied by pictures in all the newspapers here.

One of the students' main demands has been objective coverage by China's state-controlled press of their month-old protest movement.

The newspapers stressed that the first visit here in 30 years by a Soviet leader signalled a new beginning for normalization of relations, but did not report that Mr. Gorbachev's schedule was disrupted by the demonstrations.

The PEOPLE'S DAILY, the official organ of the Communist Party, published in full Mr. Gorbachev's speech on arrival at the airport, where the official welcoming ceremony was held.

The ceremony, officially planned for Tiananmen, had to be moved as the massive square was occupied by some 250,000 demonstrators.

The entire speech by Chinese President Yang Shangkun at a banquet in Mr. Gorbachev's honor was also published.

But the new developments of the students movement were also prominently displayed, especially the hunger strike which began Saturday and is now being carried out by more than 3,000 students demanding a dialogue with the authorities on the liberalizing the regime.

The press also reported the presence on the square of thousands of intellectuals—teachers, writers, journalists and scientists—who had come join "ordinary citizens" supporting the students.

Journalists from the official media have demonstrated during the past month for freedom to cover the movement objectively.

Roundup of Soviet Press Coverage of Visit
OW1605083389 Beijing Domestic Service in Mandarin
0700 GMT 15 May 89

[Report by station reporters (Zhao Luoan) and (Xu Hengsheng)]

[Text] The Soviet press media have published articles one after another in the past few days to comment on Gorbachev's visit to China and introduce the situation in China.

An article published by TASS on 14 April pointed out: Undoubtedly, Soviet leader Gorbachev's visit to China will be a very important event in international affairs. First of all, the visit will mean normalization of relations between the Soviet Union and China. The Soviet-Chinese relations have exerted a profound influence over the world political climate of the world all along.

On 13 May, the Soviet Central Television Station broadcast a 1-hour long TV film entitled "Taking a Look at China from Moscow," introducing the achievements scored by China's reform in all fields. The film also mentioned the difficulties encountered by China during reform. However, at the same time, it pointed out that the problems faced by China today are those that crop up in the course of development. It is believed that Chinese people will surely be able to overcome these difficulties.

Soviet Officials View Gorbachev's Visit
OW1605072589 Beijing Domestic Service
in Mandarin 0930 GMT 13 May 89

[By station's Moscow correspondent Zhang Lean; from the "National Hookup" program]

[Text] Vadim Perfilov, first deputy chief of the Information Administration of the Soviet Ministry of Foreign Affairs, spoke at a news conference on 12 May that, at the invitation of the PRC President Yang Shangkun, the Soviet Union leader Mikhail S. Gorbachev will make a 4-day official visit to China starting 15 May.

He said: The Soviet-Chinese summit meeting and the normalization of their bilateral relations have great significance in furthering bilateral exchange and contacts along the path of good-neighborliness, mutual benefit, and cooperation; consolidating and strengthening the healthy development of international situation; and establishing a new and more beneficial political atmosphere in Asia as well as the whole world.

According to another report, Sergey Leonidovich Tikhvinskiy, chairman of the central committee of the Soviet-Chinese Friendship Society, in an interview with our station's reporter, said: The Soviet-Chinese Friendship Society, and all the Soviet people alike, warmly welcomes Gorbachev's China visit. The meeting will finally realize the normalization of relations between the two great socialist countries.

Soviet Commentator Interviewed on Relations
HK1605064789 Hong Kong AFP in English
0629 GMT 16 May 89

[BY Anne Penketh]

[Text] Beijing, May 16 (AFP)—The normalisation of Sino-Soviet relations after a 30-year break will give a "new impulse" to links between the two communist neighbours, a top Soviet commentator said here Tuesday.

The Soviet Union and China decided to officially end their 30-year estrangement over ideology and geo-strategic issues at an historic meeting here Tuesday between Soviet President Mikhail Gorbachev and China's senior leader Deng Xiaoping.

Vsevolod Ovchinnikov, a commentator with the Communist Party daily PRAVDA, said in an interview that the move would "open a new chapter of relations" between Moscow and Beijing.

Asked to define the concept of normalisation, he said: "Basically, it means back to the norm."

"But what is the norm? For two world powers and two neighbours and socialist countries, the norm should be very high, so that our responsibilities before the world could be larger."

He added that normalisation was part of a process—like a marriage in a personal relationship, he said.

"When you get married, there should be a preparatory stage," Mr. Ovchinnikov said. "But relations between the husband and wife do not end with the marriage."

Mr. Ovchinnikov noted that normalisation meant the restoration of party-to-party relations and establishment of inter-governmental ties, which had been neglected in the past.

"Inter-party relations overshadowed the inter-governmental one in the past, which is one of the reasons why our alliance broke up," he said. "Each side claimed the monopoly on truth."

A number of issues, including ideological ones, led to the rift between China and the Soviet Union three decades ago, with the two countries' communist parties accusing each other of political heresy.

But Mr. Ovchinnikov added that the just-restored party-to-party relations would enable both sides to intensify exchanges, particularly concerning their respective reforms.

Mr. Gorbachev stressed in a banquet speech here on Monday that Sino-Soviet normalisation was "not directed against any third country".

Mr. Ovchinnikov said that the Sino-Soviet alliance of the 1950s, in which the Chinese were considered the "little brother" of the Russians, had been set up in an "emergency situation".

"But now we look at the world in a different way", he said.

Observers said the move notably established a Washington-Moscow-Beijing axis, with each superpower considering itself an equal partner.

"We are not going back to alliances, which has something confrontational in it," the PRAVDA commentator said. "We are overcoming confrontation".

'Special' Commentator Views Sino-Soviet Relations
OW1505194889 Beijing BEIJING REVIEW in English
No 20, 15-21 May 89 p 4

[By BEIJING REVIEW special commentator Yi Chu]

[Text] The Sino-Soviet summit meeting, which is drawing worldwide attention, is to take place on May 15 in Beijing. The summit, the first in three decades, is to accomplish the historical mission of ending the past and opening a new page in Sino-Soviet relations.

As is well known, China and the Soviet Union had a very friendly period in the 1950s. Following that, a serious setback occurred, putting bilateral ties in an abnormal state, characterized by a two-decade-long confrontation in political, military and psychological fields. During this confrontation period, even bloodshed occurred between the two countries in 1969.

This abnormality did no good to the two great neighbours, China and the Soviet Union, which share a common border of more than 7,000 kilometres, nor to peace and stability in Asia and the rest of the world.

Precisely because of this, the Chinese side has all along insisted that Sino-Soviet ties be normalized on the basis of the Five Principles of Peaceful Coexistence (mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence). The Chinese side has made steadfast efforts in this regard.

Positive changes have emerged in the current international situation and a worldwide trend to relaxation is looming. A new period is likely to emerge favouring world peace and development. Under such circumstances, China and the Soviet Union, two permanent members of the United Nations Security Council, have no reason to reject improving their relations.

The Sino-Soviet political consultations at vice-foreign ministerial level, which began in October 1982 with a view to realizing normalization, has played a very active

role in relaxing the tension in mutual relations, promoting mutual understanding as well as trade and economic ties. All these have, to some extent, enhanced the improvement of Sino-Soviet relations. But political relations still remain at a stalemate.

The past year or two have seen some positive changes in Sino-Soviet relations which have led to a break-through in eliminating the three obstacles in the way of improved relations. The three obstacles are the Soviet support of Hanoi's invasion of Kampuchea, the Soviet invasion of Afghanistan and the heavy deployment of Soviet troops along the Sino-Soviet and Sino-Mongolian borders. It was after this breakthrough that Chinese Foreign Minister Qian Qichen visited Moscow in early December last year, starting the process of normalization. During this visit, both sides strengthened their mutual understanding and common grounds and narrowed differences on the major topic—the Kampuchean issue—and reached agreement in principle on a Sino-Soviet summit in the first half of 1989.

In February, Soviet Foreign Minister Eduard Shevardnadze paid a return visit to China. Both sides further expanded the scope of their understanding on the Kampuchean issue and, on the basis of this, issued a nine-point statement on a solution. The statement said that both sides agreed that an early political solution had to be worked out to resolve the Kampuchean question in a fair and reasonable way and they were willing to contribute to the realization of such a goal.

During the visit, both sides also agreed upon the date of Mikhail Gorbachev's visit to China at the invitation of Chinese President Yang Shangkun and the topics of the discussions. In regard to future Sino-Soviet relations, both sides agreed that a new relationship should be set up on the basis of the five principles of peaceful coexistence.

The mutual visits of the foreign ministers of China and the Soviet Union paved the way for the upcoming summit, which will be highlighted by Chairman Deng Xiaoping's talks with Gorbachev. This will mark the official beginning of the normalization of Sino-Soviet relations and turn a new page in their bilateral relations.

Meanwhile, it must be noted that the barriers existing between the two countries have not yet been completely eliminated and that there will be still some work to do after relations are normalized. The old differences and contradictions cannot be completely eliminated at once, and there might emerge some new ones.

The conditions today are finally ripe for both China and the Soviet Union to bid farewell to the past. However, saying goodbye is not the same as forgetting. It is those who are capable of learning from yesterday who are capable of building today and tomorrow. The history of Sino-Soviet relations provides us with much precious experience and lessons, the most important of which is that the five principles of peaceful coexistence are the

most durable ones in handling international relations, including those among socialist countries. Violation of these principles can lead to disputes and even clashes.

It therefore can be hoped that in the future a new, healthy and mature Sino-Soviet relationship that conforms with the needs of the time can be set up as long as both sides strictly adhere to the five principles. The new relationship should be one of peaceful coexistence and good neighbourliness. This is the tomorrow that both the Soviet Union and China should work for together. Such a relationship will benefit not only the two peoples but also the peace and stability of Asia and the whole world.

We warmly welcome Gorbachev's visit and genuinely wish his tour success. May the historic summit live up to the high expectations of both the Chinese and Soviet peoples and the whole international community.

'Retrospect, Prospect' on Sino-Soviet Relations
HK1205130389 Beijing SHIJIE ZHISHI in Chinese
No 9, 1 May 89 pp 2-3

[Article by Wen Fu (2429 1133): "Putting the Past Behind, Looking Forward to the Future—Retrospect and Prospect for Sino-Soviet Relations"]

[Text] The Sino-Soviet summit meeting which has attracted the world's attention will soon be held in Beijing. The central task for this historic meeting is to put the past behind and open up the future. This is an objective requirement in the development of the international situation and is also a need of the fundamental interests of the Chinese and Soviet people.

At present, the world situation is undergoing some substantive changes. The top leaders of the Soviet Union and the United States have come into frequent contact with each other; various exchanges between Eastern Europe and Western Europe are active; "hot spots" have begun to cool down; and the trend of reform is surging ahead in various socialist countries. We can say that the mitigation of military confrontations, the relaxation of tensions, extensive economic cooperation, and the efforts for peace and development, represent the general trend in the world. It is very likely that a new period favorable to the maintenance of world peace and to economic development will come. China and the Soviet Union, as two large countries in the world, have no reason not to improve their relations under this general situation in international relations.

As all people know, there existed a friendly period between China and the Soviet Union in the 1950's. Beginning in the 1960's, serious twists and turns appeared in the two countries' relations, and then abnormal relations continued for a long time. Political, military, and psychological confrontations between the two countries lasted for more than 20 years and in this period, there were also bloody conflicts. This unhappy experience should now come to an end. A period of more

than 20 years can be considered as a long time in the human life-span, but it is merely a short moment in the long process of history. Anyhow, this tortuous experience in Sino-Soviet relations has provided many things for the two countries to learn from, and has prompted people to think deeply.

The two countries began their vice ministerial-level political consultations for normalizing their state-to-state relations in October 1982. Both sides then did a great deal of work to relax the tense relationship, increase mutual understanding, and develop bilateral economic exchanges. Sino-Soviet relations have been gradually improved to a certain degree since 1982 thanks to the two sides' joint efforts. In particular, exchanges and contacts in the economic, trade, technological, cultural, and sports fields have increased markedly. For example, the value of trade agreements between the two countries in 1981 was merely 410 million Swiss francs, but this increased to 4.09 billion Swiss francs in 1988, marking a nearly 9-fold increase. It is expected that the 1989 trade volume will increase to 4.83 billion Swiss francs. As another example, when the two countries began to resume the exchange of students in 1983, they only exchanged 10 students. In 1988, China sent 450 students to the Soviet Union. Last year, 460 groups of visitors were exchanged between the two countries. Exchanges on such a large scale were unimaginable 6 years ago.

However, before 1988, Sino-Soviet relations in the political field basically remained at a standstill. The main reason was that no substantive progress was made in removing the three major obstacles to the normalization of Sino-Soviet relations. Gratifying changes in this respect did not occur until 1988.

Along with the in-depth adjustments in Soviet foreign policy, last year, the Soviet Union began to gradually take some positive steps to remove the three major obstacles.

First, the Soviet Union signed the Geneva agreement on the political solution for the Afghan issue on 14 April last year, promising to withdraw all Soviet troops in 9 months' time. On 15 February this year, Soviet troops completed their withdrawal according to schedule.

Second, after the Soviet Union withdrew some troops from Mongolia in 1987, Gorbachev again announced at a speech to the UN General Assembly late last year, that most Soviet troops stationed in Mongolia would be withdrawn, and military forces stationed in Asian areas of Soviet territory, including those stationed along the Soviet-Chinese borders, would be substantially reduced.

Third, most importantly, the Soviet Union also changed its attitude toward the Cambodian issue, which constituted the greatest obstacle to the normalization of Sino-Soviet relations. In the past, the Soviet side said that it had no relation to the Cambodian issue and refused to discuss this

issue with the Chinese side. Now, the Soviet side has acknowledged that the Cambodian issue cast an ominous shadow on Sino-Soviet relations and has agreed to hold talks to discuss this issue in particular. The Soviet side has also explicitly indicated that it is willing to make contributions to the early settlement of the Cambodian issue. In these circumstances, vice foreign ministers of the two countries held a working meeting in late August 1988 in Beijing to discuss the Cambodian issue.

As progress was made in removing the obstacles, a significant breakthrough was eventually made in Sino-Soviet relations when Chinese Foreign Minister Qian Qichen visited the Soviet Union in December 1988. That was the first official visit by a Chinese foreign minister to the Soviet Union since 1957. In the talks, the two sides increased mutual understanding, achieved more agreements, and reduced differences on the Cambodian issue, a main topic of the talks. According to these positive developments, the two sides expressed optimism for the holding of a Sino-Soviet summit meeting in the first half of 1989.

If we say that the 6-year-long political consultations at the vice foreign ministerial level between China and the Soviet Union marked an arduous and tortuous process of exploring the possibility of relations normalization, then we can say that Foreign Minister Qian Qichen's trip to Moscow indicated the beginning of the normalization process in Sino-Soviet relations. In this sense, the year 1988 will be recorded as an extraordinary year in the annals of Sino-Soviet relations.

It should be pointed out that last year, China and the Soviet Union also made certain progress in their talks about the border issue. In the third round of Sino-Soviet border talks in October 1988, the two sides reached agreement on the delimitation of most sections of the eastern boundary line between the two countries on the principle of mutual understanding and accommodation, and agreed to hold further talks to delimit the remaining sections on which agreement had not yet been reached. At the same time, the two sides also discussed the western section of the boundary line.

In early February 1989, the foreign ministers of the two countries continued to exchange opinions on the normalization of the two countries' relations in Beijing and made preparations for the holding of the summit meeting. The two sides further expanded the scope of understanding on the Cambodian issue and increased agreed points. They also published a joint statement on the settlement of the Cambodian issue, saying that both sides hope that the Cambodian issue will be fairly and reasonably settled at an early date, and indicating that both sides will make efforts to promote the realization of this objective. At the same time, the two sides also indicated that they would continue to discuss the questions on which they still had differences.

The two sides decided to hold a summit meeting in mid-May this year in view of the substantive progress in the removal of the three major obstacles and the concrete preparations made by the two foreign minister through the exchange of visits. The meeting between Chairman Deng Xiaoping and General Secretary Gorbachev will then indicate the official beginning of the normalization of Sino-Soviet relations and a new chapter in the annals of Sino-Soviet relations will then begin. Of course, the concrete results of the summit meeting will still depend on the talks between the two sides.

As this historic moment is drawing near, the future development of Sino-Soviet relations has also become a hot topic for discussion in the international political arena and has attracted people's attention. One of the interesting questions is what impact the normalization of Sino-Soviet relations will have on the overall pattern of international politics. Obviously, it is still hard for us to make a comprehensive forecast, but two points can be affirmed. First, Sino-Soviet relations will not return to the alliance conditions of the 1950's. China will continue to firmly pursue an independent foreign policy of peace and will not enter into alliance with any country or any bloc of countries, and will not form strategic relations with any big power. Undoubtedly, the normalization of Sino-Soviet relations will not affect either side's relations with other countries. Second, the termination of the abnormal conditions in Sino-Soviet relations and the establishment of a new-type relationship between the two countries on the basis of the five principles for peaceful coexistence, will not only be beneficial to the Chinese and Soviet people, but will also promote the current worldwide trend to replace confrontation with dialogue, and replace tension with detente, thus being beneficial to world peace and stability.

The world is developing and history is advancing. China and the Soviet Union have now prepared the conditions for terminating their unhappy past after experiencing prolonged twists and turns in their bilateral relations. Although the normalization of Sino-Soviet relations does not mean that all old contradictions and problems between the two countries have been solved, and although various new differences may still occur in the future, so long as the two sides strictly act according to the five principles for peaceful coexistence, they will certainly be able to build a new-type, state-to-state relationship, which is healthy, mature, and suited to the requirements of the times. This is the future that China and the Soviet Union should join hands in opening up.

Xinjiang Official Interviewed on USSR Relations
OW1605003389 Beijing in Russian to the USSR
1800 GMT 10 May 89

[Excerpts] On the occasion of the forthcoming visit to China by Soviet leader Mikhail Gorbachev, our correspondent (Che Yimin) met Huang Baozhang, vice chairman of the Xinjiang Uygur Autonomous Regional People's Government, and asked him about the significance

of the expansion of foreign ties, technical cooperation, and trade with the Soviet Union for Xinjiang. [passage omitted]

To our correspondent, Huang Baozhang said the following: [Begin recording; Huang Baozhang, speaking in Mandarin, fading to Russian translation] [Passage omitted] I should especially emphasize the genuinely gigantic changes in Xinjiang's economic and trade relations with the Soviet Union. The following figures attest to this fact: Just last year, we concluded contracts with the Soviet Union worth 186 million Swiss francs, which represents a three- to four-fold increase over 1987. Economic and technical cooperation between Xinjiang and the Soviet Union brought gratifying successes at the same time. We concluded more than 50 contracts, agreements, or documents of intent. Some have been implemented, and some are being elaborated in detail. Specific examples of cooperation are the agreement on the construction in Xinjiang of wool-weaving and cotton-spinning factories equipped with Soviet machinery and designed for the use of local raw materials and labor resources. The production of these factories will be supplied to the Soviet Union. We also made an agreement on dressing and manufacturing of leather goods for Soviet consumers. Raw leather for this production will be supplied from the Soviet Union. Joint manufacturing of hot water bottles, which are in great demand in the Soviet Union, is being planned. Construction in the Soviet Union of two plants, equipped with technological lines to be manufactured in Xinjiang, is planned.

So far, we have been discussing light industry. However, we pay as great attention to cooperation in heavy industry, in particular to acquiring electrical power engineering equipment, which is relatively highly developed in the Soviet Union. We intend to import electrical power equipment from the Soviet Union and to speed up the development of the Xinjiang electrical power engineering industry. [passage omitted]

The center of gravity of our work will shift to the West, that is trade, economic, and technical cooperation with the Soviet Union should be developed, and, at the same time, economic and trade relations with East European and West Asian countries should be developed. This year we guide ourselves precisely by this line of development of the PRC foreign economic ties and trade. The total volume of Xinjiang foreign trade through state foreign trade organizations will increase from 300 to 350 million yuan this year. We are trying to increase the total volume of barter trade with the Soviet Union to 200 million yuan. The implementation of some of the 50-odd projects of technical cooperation with the Soviet Union. Besides, we are prepared to develop trade with all East European countries. We are striving for a new breakthrough in the development of trade and economic relations with West Asian countries.

Huang Baozhang said: The Soviet leader Comrade Mikhail Gorbachev will visit the PRC to attend the PRC-USSR summit meeting. The normalization of

Sino-Soviet relations will certainly promote the development of economic and trade relations between both our countries. This corresponds to fundamental interests of the peoples of both countries.

In conclusion, Huang Baozhang said: We optimistically expect that, this year, a new situation will arise in our work on expansion of foreign ties, in particular in economic and technical cooperation between Xinjiang and the Soviet Union, for, on the one hand, Xinjiang is acquiring relatively advantageous conditions, and, on the other hand, the Soviet Central Asian Union Republics entertain similar expectations. Consequently, in my opinion, trade and economic relations between Xinjiang and the Soviet Union have wonderful prospects.

Northeast Asia

Japan's Takeshita Praises Sino-Soviet Summit
OW1505235789 Beijing XINHUA in English
1527 GMT 15 May 89

[Text] Tokyo, May 15 (XINHUA)—Japanese Prime Minister Noboru Takeshita told the Diet (parliament) today that Soviet leader Mikhail Gorbachev's visit to China will enhance stability in Asia and peace in the world.

Answering a question by a Japan Socialist Party member in the House of Councillors' Budget Committee, Takeshita said that he is pleased to see this rapprochement between Beijing and Moscow.

Meanwhile, Japanese Foreign Minister Sosuke Uno said that he wishes Chinese and Soviet leaders success and that Japan will also do its job to promote stability in Asia.

New U.S. Envoy to Japan Calls for Dialogue
OW1405001889 Beijing XINHUA in English
1508 GMT 9 May 89

[Text] Tokyo, May 9 (XINHUA)—Newly appointed U.S. Ambassador to Japan Michael Armacost said today that dialogue could help Japan and the United States maintain a "competitive but friendly alliance."

Armacost, who arrived in Japan yesterday, told Japanese Foreign Minister Sosuke Uno that while there remains an obvious competitive edge to the U.S.-Japan relationship, cooperative endeavors still have the upper hand.

Armacost will officially succeed Mike Mansfield to the ambassadorship next week when the Japanese cabinet accepts his credentials.

According to Foreign Ministry sources, Uno told the envoy that Japan and U.S. should deal with simmering trade disputes in the spirit of policy coordination and cooperative enterprise as agreed upon in the summit meeting between Prime Minister Noboru Takeshita and President George Bush in early February.

Meeting with Armacost later, Vice Foreign Minister Ryohei Murata said Japan views seriously the sentiment in Washington toward imposing sanctions on Japanese imports in retaliation for alleged unfair trade practices.

There is rising doubt in Washington as to whether a balance in bilateral trade can ever be restored without some kind of action, Armacost said, adding that even the most trusting politicians are unable to defend Japan's case to their colleagues in Congress.

Armacost's arrival comes less than a week after the office of the U.S. trade representative announced that it was considering instituting tariffs on 54 items ranging from helicopters to cosmetics to penalize what it called Japan's failure to open its telecommunications market.

USSR To Begin Withdrawal From Mongolia 15 May
OW1405005889 Beijing XINHUA in English
1546 GMT 13 May 89

[Text] Ulaanbaatar, May 13 (XINHUA)—The first group of Soviet Army tank divisions and anti-air artillery and rocket units will be pulled out of Mongolia beginning Monday, the Mongolian party's newspaper "UNEN" reported today.

The move is seen as a Soviet gesture to improve Sino-Soviet relations on the eve of Soviet leader Mikhail Gorbachev's visit to Beijing Monday.

The Soviet Union is expected to withdraw from Mongolia 850 tanks, 1,100 armored personnel carriers and combat vehicles, 820 cannons and guns, some 190 fighter planes and 130 helicopters during 1989-1990, the paper said.

About 75 percent of the Soviet troops stationed in Mongolia will return to their homeland in the next two years.

S. Korean Farmers 'Likely' on U.S. Sanction List
OW1305131589 Beijing XINHUA in English
0601 GMT 11 May 89

[Text] Washington, May 10 (XINHUA)—South Korean farmers are likely to be high on the U.S. trade sanction list which will cite the countries to be forced to open their market for U.S. products, according to THE JOURNAL OF COMMERCE today.

The possible sanction can be attributed to a U.S. economic logic that South Korea exerts farm imports controls to support its inefficient agriculture, a signed article published by the paper said.

By imposing sanctions against the South Korean farmer, economists said, the South Korean Government would then manage to make bigger concessions to the United States in opening its market.

South Korea enjoys a trade surplus of 8.6 billion dollars with the United States.

Under the U.S. pressure for reducing the trade imbalance, South Korea promised in trade negotiations last week to slash the surplus to 3 billion dollars by 1992 by buying more U.S. products including farm goods.

Moreover, South Korea, which imports about 2.25 billion dollars of U.S. farm products, said last month that it would relax import restrictions on some 250 food products to increase the import of U.S. farm goods.

However, the United States said that is "not enough."

South Korea has warned that big-stick trade policy may backfire as it hits too hard at South Korean farmers.

DPRK Demands U.S. Withdraw Nuclear Weapons

OW1405001389 Beijing XINHUA in English
1456 GMT 9 May 89

[Text] Beijing, May 9 (XINHUA)—The Democratic People's Republic of Korea (DPRK) called on the United States today to open talks on the removal of nuclear weapons deployed in South Korea.

According to reports reaching here today, General Choe Ui-ung told the Military Armistice Commission (MAC) that the U.S. deployment of nuclear weapons in South Korea violates the armistice agreement and threatens peace on the peninsula.

Choe said that the DPRK hopes to hold sincere negotiations with the U.S. about what contributions they can make to completely eliminate the danger of nuclear war and realize a durable peace on the Korean peninsula.

U.S. Admiral Larry Vogt sidestepped the demand, saying that the proposal is a propaganda ploy and that such discussions are "outside the purview" of the MAC.

The U.S. refuses to confirm or deny information about the deployment of nuclear weapons, but Western experts say the South holds a large number of U.S. nuclear weapons.

The deployment of nuclear weapons in South Korea is opposed by radical students and dissidents, who say that the U.S. presence, including 43,000 troops, is the major obstacle to national unification.

The United States and South Korean authorities hold that the U.S. presence is necessary to deter the threat of aggression from the DPRK.

Remains of Chinese Soldiers Returned to DPRK

OW1205225589 Beijing XINHUA in English
1448 GMT 12 May 89

[Text] Kaesong, May 12 (XINHUA)—Coffins with the remains of 19 Chinese People's Volunteers killed in the Korean War were buried today in a cemetery in Kaesong, near the Military Demarcation Line that separates the Korean peninsula.

At the burial, which began at 3:00 p.m. local time, soldiers of the Korean People's Army (KPA) played the anthems of the People's Republic of China and the Democratic People's Republic of Korea (DPRK) and fired 30 gun shots to mourn the dead.

Some DPRK Government and military officials and Chinese military representatives in Korea, including Major General Yi Hong-sun, chief of the KPA General Staff and Major General Tian Yong, member of the Chinese People's Volunteers of the Korean-Chinese side to the Korean Military Armistice Committee, attended the ceremony and laid wreaths.

The remains of the Chinese soldiers were turned over to the DPRK at the truce village of Panmunjom this morning after a meeting of the secretaries of the Armistice Commission.

Soldiers of the United Nations Command (UNC) handed over the remains in two wood coffins. Representatives from the Korean-Chinese side and the U.S. Military Command side of the Commission supervised the transfer.

After identifying the remains, the Korean-Chinese delegation covered the coffins with red silk and lifted them onto a military truck driving to Kaesong.

The remains and China-made artifacts were recovered early this year by an American historian near Chip'yong-ni, about 50 kilometers east of Seoul, the site of a major battle in 1951 between Chinese and U.S. soldiers.

The UNC identified the remains and decided to return them to the DPRK according to a 1954 agreement of the Commission charged with maintaining the cease-fire that ended the 1950-1953 Korean War.

Near East & South Asia

India's Gandhi Welcomes Sino-Soviet Summit

OW1505225189 Beijing XINHUA in English
1549 GMT 15 May 89

[Text] New Delhi, May 15 (XINHUA)—Indian Prime Minister Rajiv Gandhi today expressed the hope that the Sino-Soviet summit would bring peace in the world and unity in Asia.

Addressing the valedictory meeting of the ruling Congress (i) Parliamentary Party, Gandhi congratulated the Soviet President Mikhail Gorbachev and Chinese leader Deng Xiaoping for their meeting.

"I would like to congratulate both of them for the summit and I send my good wishes to them," he said.

"Our policy has always been to ease tensions everywhere. We want good and friendly relations with our neighbors," he added.

Indian Minister To Discuss Cambodia in London
OW1505224689 Beijing XINHUA in English
1548 GMT 15 May 89

[Text] New Delhi, May 15 (XINHUA)—Indian Minister of State for External Affairs Natwar Singh left here today for London to confer with his counterpart Lord Glenaithur on bilateral relations and the Kampuchea issue.

From London the minister will go to Paris for talks with French Foreign Minister Roland Dumas.

Afterwards, he will attend the coordinating bureau meeting of foreign ministers of the Nonaligned Movement (NAM) to be held in Harare, capital of Zimbabwe.

Natwar Singh is expected to return home on May 24.

India Postpones Missile Test for 2d Time
OW1505225489 Beijing XINHUA in English
1512 GMT 15 May 89

[Text] New Delhi, May 15 (XINHUA)—The launch of India's first medium-range missile "Agni" has been rescheduled between May 21 and 24, according to official sources today.

The missile was earlier slated to be test fired between May 17 and 20 in the interim test range at Chandipur-on-Sea in the eastern state Orissa.

The reason for once again rescheduling the launch of the missile was not disclosed.

The launch has been twice put off. First on April 20 when seven seconds before the final countdown one of the data collection stations in the down range had shown a fault. The launch did not come off on the second date, May 1, as 11 seconds before the final countdown, and leakage of nitrogen gas was detected in one of the motors.

Food, Clothing Aid Shipped to Gaza Strip
HK1505071189 Hong Kong SOUTH CHINA
MORNING POST in English 15 May 89 p 18

[From Yehonathan Tommer in Jerusalem]

[Text] A Chinese shipment of food and clothing destined for the Gaza Strip has reportedly reached Cyprus, according to Palestinian sources.

The shipment, which includes 300 crates of canned food, 25,000 shirts and 15,000 pants, is being sent in response to a request from the Palestine Liberation Organisation (PLO) for international relief aid.

United Nations officials will receive the shipment at the Israeli port of Haifa or Ashkelon. About 60 percent of the shipment will be distributed as "emergency relief" to Palestinian victims of the uprising in the Gaza Strip, and the rest to West Bank victims.

A spokesman for the Gaza Civil administration stressed that aid sponsored by the United Nations Relief and Works Agency (UNRWA) reaching the territories did not require special clearance from Israeli authorities.

The Chinese shipment is the first of its kind sent by an Asian country to the Israeli-occupied territories.

Since the start of the Palestinian intifada 19 months ago, the Japanese have also contributed U.S.\$250,000 (HK\$1.95 million) and Australia has contributed U.S.\$150,000 (HK\$1.17 million).

Palestinian sources claimed that the difficult economic situation and frequent curfews throughout the territories have prevented local residents going to work in Israel from purchasing basic food items, clothing and shoes.

China is also supplying relief aid the Baqaa Palestinian refugee camp in Jordan, 12 kilometres north of the capital Amman, through UNRWA.

Baqaa, inhabited by 70,000 refugees, is the largest Palestinian camp operated by the UNRWA in the Middle East.

A team of 30 to 40 Chinese construction labourers and technical personnel, fully equipped from China, have been working in the camp for several months building an elementary school for Palestinian children presently accommodated in run-down educational facilities.

Another two schools are being built by Saudi Arabia.

UNRWA sources in Jerusalem say the building is two-thirds complete and that the Chinese are already proposing additional relief projects. Negotiations with the Jordanians have yet to be finalised.

UNRWA sources in Jerusalem are hard pressed to explain the Chinese interest, but venture to suggest that the aid could be part of Beijing's growing efforts to establish a presence in the Middle East.

Meanwhile, the UNRWA relocated most of its operations from the Beirut headquarters on Saturday to one of its branches south of Beirut because of damage from artillery duels in the Lebanese capital, the agency said.

The move was made "to maintain its services' efficiency," after the two buildings housing its offices were damaged in the latest round of shelling, an UNRWA statement said.

All medical, child care and social service for the Beirut region will be provided at the Sibline centre, 40 km south of Beirut, until further notice, the statement said.

West Europe

New U.S. Moves Expected at NATO Summit
OW1205204289 Beijing XINHUA in English
0625 GMT 9 May 89

[Text] Bonn, May 9 (XINHUA)—U.S. President George Bush will unveil a U.S. move at the NATO summit on May 29-30 in Brussels to urge the Soviet Union to gradually withdraw its troops from East Europe under mutual guarantee.

Today's "DIE WELT" newspaper quoted a well-informed NATO source in Brussels as saying that the new move constitutes a key point of the Bush plan for the new order in European political relations.

The overall plan is a result of a comprehensive review of U.S. security and foreign policies that was announced by Bush when he took office some 100 days ago, the newspaper said.

The plan, considering the Soviet effort to rid itself off heavy political, economic and military burdens, says the disarmament process should not be isolated from but should be closely linked with a political settlement of the European problems.

As to the NATO's split over modernization of short-range nuclear forces (SNF), the newspaper said Washington wants to defuse the dispute through a proposal that will be detached with its emphasis focusing on major political issues between East and West.

The Brussels source said NATO might reach a consensus in the forms that NATO agrees on the necessity of nuclear weapons, excludes a "zero option" for tactical nuclear missiles and maintains that nuclear weapons should be updated.

The newspaper also said the upcoming NATO summit might open prospects for SNF negotiations, but the Western alliance should decide whether the start of such negotiations should be linked with the results of the East-West Vienna talks or the realization of a parity of conventional forces in Europe.

Bonn Reacts Cautiously to Soviet Arms Proposal
OW1405121989 Beijing XINHUA in English
0109 GMT 12 May 89

[Text] Bonn, May 11 (XINHUA)—Federal Germany shows interest in Soviet leader Mikhail Gorbachev's proposal about unilateral reduction of short range missiles, but makes no comment before details of the proposal are available.

Hans Klein, Federal Government spokesman, said his government cannot comment on the proposal until it learns the details.

A Foreign Ministry spokesman is also reluctant to remark on the proposal, but he said Federal German Foreign Minister Hans-Dietrich Genscher will talk about it with his Soviet counterpart Eduard Shevardnadze who is due to arrive here tomorrow.

Gorbachev made the proposal today when meeting U.S. Secretary of State James Baker in Moscow. Shevardnadze told reporters Moscow will officially announce its proposal Friday.

Baker will go to Brussels to report his Moscow mission to Western allies' foreign ministers Thursday evening.

Genscher, Shevardnadze Meet
OW1405010289 Beijing XINHUA in English
1449 GMT 13 May 89

[Text] Bonn, May 13 (XINHUA)—Soviet Foreign Minister Eduard Shevardnadze and his Federal German counterpart, Hans-Dietrich Genscher, discussed the agenda for Soviet leader Mikhail Gorbachev's June 12-15 tour of West Germany today.

Shevardnadze, here on a 24-hour visit, introduced Gorbachev's latest disarmament proposal in a meeting with Federal German Chancellor Helmut Kohl yesterday.

The proposal, which offers to unilaterally cut 500 Soviet nuclear warheads in East Europe, is likely to be one of the discussion topics during Gorbachev's forthcoming visit.

Also today, Shevardnadze and Genscher signed an agreement package on the reconstruction of areas of Soviet Armenia that were devastated by an earthquake last year.

The agreement is expected to lay a foundation for assistance projects to construct a health rehabilitation center and revive animal husbandry in Armenia.

\$5 Billion Trade Deal Signed With UK
OW1505010589 Beijing XINHUA in English
1815 GMT 11 May 89

[Text] London, May 11 (XINHUA)—Britain has signed with China a trade deal worth three billion pounds (about five billion U.S. dollars)—the biggest of its kind ever made between the two countries.

This announcement was made by Trevor Holdsworth, president of the Confederation of British Industry (CBI), the largest employers' organization in Britain, at a news conference here today.

The deal was clinched last month between six Chinese provinces and municipalities and the 48 Group, an organization of British companies set up 35 years ago to promote British-Chinese trade.

The deal involves China's coastal and Yangtze River provinces of Liaoning, Jiangsu and Sichuan, and municipalities of Shanghai, Tianjin and Wuhan, said Holdsworth, who will lead a 100-member trade mission to China in October.

According to a CBI statement, the deal will cover modernization of Chinese industries, the establishment of joint ventures, know-how transfer and conventional exports.

It will also include plans to help expand the export of China's light manufactured goods, and electrical and mechanical equipment.

"These programmes mark a promising new development in the history of British-Chinese trade and will start in 1990, as part of a six-year programme related to China's Eighth Five-Year Plan (1991-95)," Holdsworth said.

"This we see as a contribution towards the breakthrough that is needed in U.K.-China trade," he added.

The trade mission, now being organized by the 48 Group, is backed by the British Department of Trade and Industry.

Organizers said that about 100 British companies will be involved in the mission, which is to visit China from October 14 to 28.

Improved Investment Environment
OW1505032489 Beijing XINHUA in English
0834 GMT 12 May 89

[Text] Beijing, May 12 (XINHUA)—China is stable and the investment environment has improved greatly in the past five years, said Jack Perry, vice-chairman of the United Kingdom Group of 48, at a news conference here Thursday.

He saw the students' demonstrations of the past few days, and he said that as, the Chinese people show a strong interest in politics, it is natural that foreign investors should consider the political situation in China.

The United Kingdom Group of 48 has been trading with China for 35 years. Judging from experience, he believes that China's situation is stable.

Perry said the United Kingdom Group of 48 has signed with China's six major provinces and municipalities trade agreements worth 5.4 billion U.S. dollars, the largest amount in Sino-British trade history. The money will be spent over six years, starting from 1990.

He said the agreement with each province provides for technical modernization of existing Chinese businesses, transfers of technology and new industrial processes, joint venture projects and various forms of co-operative investment and production.

The Group of 48 and China's foreign economic and trade departments will set up liaison offices and supervision offices, establish an investment committee and prepare a plan for management and technical training.

He said British trade with China is conducted on the basis of equality and mutual benefit. Thus, his country has chosen coastal areas that have favorable conditions and major projects that China needs to develop in its Eighth Five-Year Plan period (from 1991 to 1995).

Political & Social

Effect of Protests on Zhao's Situation Viewed

HK1605040689 Hong Kong MING PAO
in Chinese 16 May 89 p 2

["Special dispatch" from Beijing: "Failure in Dialogue Is Not Good for Zhao Ziyang; Wait and See What Deng Xiaoping Will Say About His Position Today"]

[Text] News from Beijing—Sources here revealed that the 4th Session of the 13th CPC Central Committee, originally scheduled to be held during the last 10 days of this month, has been postponed and the main subject for discussion has been changed from education to the current student movement.

Sources in Beijing said that the development of the student movement on the mainland has deepened the long-standing differences among the top-level CPC leaders. The hardliners insist that this student movement is a political upheaval and strong measures should be taken to suppress it. But the faction headed by General Secretary Zhao Ziyang hold that the student movement is a patriotic action and the students' demand is a just demand. According to Zhao's faction, it is necessary to solve the problem by promoting China's democratic drive and speeding up political reform. All veterans above the age of 75 should withdraw so that the political line of the 13th CPC National Congress can be implemented.

It has been learned that the reason both sides have not yet shown their cards is that Deng Xiaoping has not yet made a final statement on the student movement. It is possible that he may talk about student movement and the future of Chinese reforms in his meeting with Gorbachev today, which will have a decisive influence on the student movement and China's future.

It is said that up until now, Deng Xiaoping has been in favor of the moderate methods Zhao Ziyang has taken to deal with the student movement. Some days ago, Deng Xiaoping submitted a written statement to a meeting of the Political Bureau of the CPC Central Committee to show his position.

As far as we have learned, due to the failure in the dialogue between the students as one side and Political Bureau member Li Tieying and head of the CPC United Front Work Department Yan Mingfu as the other, which could not help put an end to the students' hunger strike on Tiananmen Square, the hardliners, who were once suppressed within the CPC, have regained a superior position, and the reformers headed by Zhao Ziyang have suffered a serious setback. At present, while the CPC is adopting a hard stance toward the students, Qiao Shi and Hu Qili, members of the Standing Committee of the Political Bureau of the CPC Central Committee who are responsible for dealing with the student movement, have both said that they do not want to manage the affairs concerning the student movement any more. On the other hand, the

hardliners have declared that if Zhao Ziyang fails in handling matters concerning the student movement, they will take up the matter themselves and take high-handed measures to stop the student movement.

Yesterday Zhao Ziyang went up to the Tiananmen rostrum to look at the students' demonstrations and hunger strike with a high-powered telescope. Since the day before yesterday, there have been several cameras and high-power telescopes on the Tiananmen rostrum, and many CPC leaders have been to the rostrum to watch the demonstrations.

Beijing students have continued their hunger strike because the authorities have not responded to their following demands even after stalling for a long time: 1) to recognize that the student movement is a patriotic democratic movement; 2) to broadcast live the dialogue between central leaders and student representatives. However, the authorities have not yet clearly stated their position because they are waiting for Deng Xiaoping's final decision.

It was said that after the failure in his dialogue with the students the day before yesterday, Yan Mingfu cried bitterly and loudly. He enjoys the support of most intellectuals and is regarded as a trump card of Zhao Ziyang. On that day, he had a high fever when he was talking with the students. He was sincere and had a clear-cut stand during the dialogue.

When asked by the students whether the student movement had been instigated by a handful of people, Yan Mingfu replied straightforwardly: It has been caused by China's abnormal democratic and political life. He also spoke favorably of the two demands put forward by the students and asked Hu Qili for instruction then and there. Hu Qili did not say he agree with that either [as published: ye bu biao shi tong yi 0048 0008 5903 4355 0681 1942]. But the central television station said there were still some technical problems. According to analysis, the fact that the central television station had become a scapegoat reflected the differences among the top-level CPC leaders.

Moreover, when the Beijing Municipal CPC Committee called a meeting recently to discuss the student movement, many officials had asked for sick leave. They are all taking a wait-and-see attitude, waiting for the final decision of the central authorities.

Protests, Hunger Strike Continue in Beijing

Teacher on Resident Involvement

HK1605020389 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1101 GMT 15 May 89

["A College Teacher Expresses Worries About Resident Participation in Demonstrations"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 15 May (ZHONGGUO TONGXUN SHE)—A teacher at an institute of higher learning has said to reporters that resident participation in demonstrations is not necessarily a good thing.

On the 14th, at around 8:00 pm, a contingent of paraders, holding a banner bearing the words "Residents support the petition" suddenly showed up at the east side of Tiananmen Square. Its members did not stop and crossed over from behind the Monument of the People's Heroes. People watching in the square quickly followed. Half an hour later, this contingent again appeared before the gate of the Great Hall of the People. The original number of people had then swollen by several times.

Students in the square expressed welcome and joy at this first contingent of residents to parade since the start of the student unrest. But a teacher on the spot held a different view. He said that the contingent of residents had been put together impromptu, with a relatively complicated problem involved. If bad people had found their way in and seized the opportunity to do bad things, the reputation of the student unrest would naturally suffer. Therefore, resident involvement in demonstrations is not necessarily a good thing.

He held the view that it suffices for residents to show moral support for students. It is not necessary to organize participating contingents.

Teachers Join Demonstrations

HK1605013889 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1101 GMT 15 May 89

["Beijing College Teachers Express Support for the Striking Students"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 15 May (ZHONGGUO TONGXUN SHE)—The hunger strike of some students in Beijing has touched college teachers who sympathized and supported the students, and they also took action yesterday.

When the student unrest began, teachers generally expressed sympathy and understanding, but they were also rather restrained. They did not encourage or blame the students who boycotted classes. After the students returned to classes, the first words the teachers said were: We see hope from you.

As the student unrest continued to develop, some young teachers and renowned scholars began to openly support the students. After the Xinhua Gate conflicts on 20 April, 141 teachers from Beijing University and other colleges wrote a petition to the authorities, demanding that no violence be used against the students.

During the student unrest, although most school leaders advised the students to return to classes and not to take to the streets as they were ordered to do so, they did not stop the student activities. The big-character posters in the campus of Beijing University were not torn away. A college president clearly told the student representatives that the current student movement was not a disturbance

but a patriotic democratic movement, and that he would protect the students participating in this movement in his capacity as a legal person.

On 13 May, the student hunger strike began, and some teachers also began to involve themselves in the students' action. At Beijing University, 283 teachers signed a petition, urging the authorities to hold the dialogue with the students as soon as possible and to guarantee the students' health and safety. Many teachers directly participated in the actions of protecting and rescuing the striking students. On the evening of 13 May, a teacher from Qinghua University made known his identity when speaking to the public in Tiananmen Square. On 14 May, some teachers in Beijing University put up a notice, calling on their colleagues to strike to support the students who were carrying on the hunger strike. On the evening of 14 May, at 2100, some teachers held high a banner, "Qinghua teachers," and entered Tiananmen Square. The students vociferously applauded their teachers. These teachers also held two banners which read: "We are proud of our students" and "They are the most lovely people."

Today, all classes in Beijing University were boycotted by both teachers and students.

Others Support Hunger Strike

HK1605115089 Hong Kong AFP in English
1143 GMT 16 May 89

[Text] Beijing, May 16 (AFP)—Workers and intellectuals streamed into Tiananmen Square Tuesday on the third day of a defiant student hunger strike that has disrupted the visit of Soviet President Mikhail Gorbachev.

Organizers said more than 3,100 students were taking part in the hunger strike, aimed at forcing the Chinese authorities to open a televised dialogue on political reform, press freedom and an end to corruption.

Surrounding them were up to 125,000 supporters, including 2,000 scholars from the Chinese Academy of Social Sciences and—for the first time—a delegation from the Communist Party newspaper People's Daily.

Later in the day, marchers from other state-controlled papers, the New China News Agency, China Central Television and trade unions were seen converging on the square.

It was apparent that pleas broadcast overnight by the authorities on Tiananmen Square's loudspeaker system, urging the students to go home so as not to embarrass China during the first Sino-Soviet summit in 30 years, had only strengthened the demonstrators' resolve.

"When we are talking about saving our country's face, the burden does not lie with the students. It lies with the government," said an unsigned pamphlet printed on the hunger strikers' silk-screen press.

By nightfall, the number of hunger strikers reported to have fainted since the protest began Saturday with an initial group of 1,000 volunteers had surpassed 300.

"There is about one student fainting every five minutes," said one Westerner studying at a Beijing medical school who was helping her classmates distribute glucose water to the strikers.

State-run television reported the hunger strike on its national evening newscast, paying special emphasis to the comings and goings of ambulances carrying ill students to hospital.

Demonstrators continued to insist that their protest—the latest in a month of unrest—was unrelated to the Gorbachev visit.

"They are two different things," a staff employee of the Academy of Social Sciences said. "We support the political reforms in his own country, just as we want to make further steps in our own political and economic reforms."

The sheer number of demonstrators forced Mr. Gorbachev's hosts to cancel two events at Tiananmen Square Tuesday—a wreath-laying at the Monument of the People's Heroes and a meeting with Premier Li Peng in the Great Hall of the People. There were three changes in program Monday.

But the Soviet president was able to keep a date with senior Chinese leader Deng Xiaoping at the Great Hall of the People Tuesday by slipping into a side entrance, secured by police and troops.

As their meeting began, some 2,000 demonstrators reached the steps of the building's guarded main door. They withdrew soon afterwards, witnesses said.

Negotiations Fail, Workers Join In

*LD1505165289 Belgrade TANJUG in English
1512 GMT 15 May 89*

[Text] Beijing, May 15 (TANJUG)—Negotiations failed today between striking students here and Education Minister Li Tieying who is also a member of the Communist Party Politburo.

Student sources said that the minister failed to meet a major demand of appraising favourably the present students' movement.

Now protesting in Beijing Tiananmen Square are nearly 400,000 people as workers and groups of intellectuals join the students.

Over a radio station they mounted, the students read letters of support, repeat warnings against provokers and appeal for the maintainance of peace.

Student leaders said that the number of hunger strikers today rose to over 3,000. About 70 students had to be hospitalized.

Strong police and army units secured without use of force the southern entrance to the Chinese parliament building where the visiting Soviet leader Mikhail Gorbachev held his first meeting with the (?Chinese president)

At the time Gorbachev was entering parliament, a group of students spread a large banner with words in Russian "perestroyka, glasnost."

Speeches are being held one after another in the Tiananmen. [words indistinct], receiving loud cheers from a growing mass of people arriving in the square.

Students in the Beijing square today are supported also by professors of Beijing universities and by other teaching staffs, including about 700 professors from the Academy of Sciences. The Beijing university prorector and deputy director of the Academy of Sciences addressed the students and upheld their demands.

Among the slogans in the square there is one supporting Secretary General of the Chinese Communist Party Zhao Ziyang. But students tore an earlier slogan of greeting Deng Xiaoping.

The feelings of students and citizens are best reflected in the slogans: "If students are boycotting instruction, we shall strike" (workers), "The country has hardships, we shall shed blood together," "The students' movement voices the people's desires," "We are supporting the movement for democracy and publicness," "Save our children," "Rise, you who have long been on your knees," "We shall no longer beg," and the slogan in both Chinese and Russian languages "Democracy is the ideal we have in common."

This afternoon the students and their professors were joined also by groups of newsmen from different editorial offices in Beijing.

Steel Company Denies Strike

*OW1505180889 Beijing XINHUA in English
1731 GMT 15 May 89*

[Text] Beijing, May 15 (XINHUA)—A spokesman for the Capital Iron and Steel Company today denied a report about 70,000 workers on strike in his company.

In a telephone interview with XINHUA, the spokesman said, "Workers in our company have been engaged in normal production."

"Our company has signed contracts with the state on its production and profit quotas. If its production were suspended, not only the state, but also the workers and staff members themselves, would suffer," he added.

Earlier today, a report by the ASSOCIATED PRESS said that students on hunger strike reported over a loud-speaker in Tiananmen that "70,000 of 220,000 workers at the capital steel plant went on strike Monday, in support of the pro-democracy movement."

"There is simply nothing of the sort," the spokesman said.

More Strikers, Onlookers Gather
OW1505182889 Beijing XINHUA in English
1739 GMT 15 May 89

[Text] Beijing, May 15 (XINHUA)—Beijing students' hunger strike in Tiananmen Square has entered the third day today.

It is estimated that the number of strikers has increased to over one thousand, and many more on-lookers have gathered around them.

The strike was started Saturday afternoon by several hundred students from Beijing's universities and colleges.

Leaders of the Central Committee of the Communist Party, the State Council, the Beijing Municipal Government and relevant departments have all shown great concern over the strike.

At 02:30 in the morning of May 14, leaders from the central and municipal authorities went to the square and tried to persuade the students to go back to their schools. Among them were Li Tieying, member of the party Central Committee's Political Bureau, Li Ximing, also member of the Political Bureau and secretary of Beijing municipal party committee, Chen Xitong, state councillor and Beijing mayor, and heads of departments concerned.

On the evening of May 13, Yan Mingfu, secretariat of the party Central Committee held a talk with students in the auditorium of the United Front Work Department.

On the afternoon of May 14, Li Tieying, Yan Mingfu and Wei Jianxing, minister of supervision and other leaders held talks with students in the same auditorium.

On the morning of May 15, Li Tieying, Yan Mingfu and other leaders held talks with students in the auditorium of the National Committee of the Chinese People's Political Consultative Conference.

During these talks, the leaders made repeated efforts to persuade students to end their hunger strike, but to no avail.

In the past three days, officials from some schools have been feeling uneasy about the students' hunger strike. Many of them went to the square and tried to persuade the students to return to the campuses, while other people also went there to show their support for the students.

This afternoon, some people from universities, research institutes and cultural departments went the square and expressed their support to the students.

Till now over 100 strikers in the square have suffered faints. The fainted were immediately given medical treatment.

Army 'Refuses' To Enter City
HK1605022889 Hong Kong MING PAO
in Chinese 16 May 89 p 2

["Special dispatch": "The 38th Army Refuses To Carry out Order of Entering Beijing"]

[Text] Yesterday a student leader said at Beijing Tiananmen Square through a loudspeaker that the People's Liberation Army 38th Army, which was ordered to intercept the student demonstrators on 27 April, recently refused to carry out the order of the central authorities on dispatching them to Beijing again. "The officers and men, from the Army commander to rank-and-file soldiers, have all refused to enter the city." This piece of news inspired the students. Meanwhile, some servicemen's letters supporting the students were distributed at the Tiananmen Square. Although the authorities have openly announced that Tiananmen Square would be cordoned off for 12 hours beginning at 0830 yesterday, the armed police took no action the whole day to seal the square according to the stipulations of the announcement.

Officials Broadcast Appeal
OW1505224989 Beijing XINHUA Domestic Service
in Chinese 1716 GMT 15 May 89

["Local Broadcast News Service"]

[Text] Beijing, 16 May (XINHUA)—News at 0100: The general offices of the CPC Central Committee and the State Council broadcast a speech at midnight on 15 May to the students gathering at Tiananmen Square. The text of the speech follows:

In the last few days, some students of Beijing institutions of higher learning have been staging a sit-in hunger strike at Tiananmen Square, demanding dialogue with leading comrades of the party Central Committee and the State Council. Now, dialogue between leading comrades of the party Central Committee and the State Council and the students have begun and will continue at various levels through different channels. The party and government are studying the reasonable suggestions and demands raised by the broad masses of students and will take feasible measures and steps to solve the questions. In late

June, the Standing Committee of the National People's Congress will include as major items on its agenda those crucial questions which are the concern of the masses and solve them by promoting democracy and building up the legal system. All this requires a stable environment, and what is most needed now is calmness, reason, restraint, and order.

At present, the Sino-Soviet summit meeting has begun. This is an important event drawing world attention. The success of this meeting is in the interest of both the Chinese and the Soviet people and conducive to world peace and stability. It is hoped that all students will take the overall situation into account and do nothing harmful to our national dignity and interests.

As the students' sit-in hunger strike has lasted for a fairly long period and it is rather cool at night, some students have fallen ill. The leading comrades of the party Central Committee and the State Council are deeply concerned about this. It is hoped that the students will return to their campuses as soon as possible. We also hope that school leaders, teachers, and parents will do a good job of persuading the students to return to their campuses.

It is our common goal to achieve the four modernizations and revitalize China. Let us work with one heart and mind to make a success of the cause of reform and opening to the outside world, do well in rectifying the economic environment and rectifying the economic order, strengthen the building of a clean and honest government, further the progress of economic and political structural reforms, and strive to expedite the modernization program of our country. General Office of the CPC Central Committee General Office of the State Council 15 May 1989

Officials Urge Strike End

OW1505182089 Beijing XINHUA in English
1749 GMT 15 May 89

[Text] Beijing, May 15 (XINHUA)—The general offices of the Chinese Communist Party Central Committee and the State Council urged the students on a hunger strike in Tiananmen Square to return to their campuses in a speech broadcast at midnight.

In the last few days some Beijing college students have been staging a sit-in hunger strike in the square, demanding dialogues with leaders of the party Central Committee and the State Council.

The speech said, "Dialogues between leaders of the party Central Committee and the State Council and students have begun and will continue at various levels through different channels. The party and the government are considering the reasonable suggestions and demands raised by students and will take effective measures to

solve the problems. The Standing Committee of the National People's Congress has listed the problems of common concern on its agenda for a meeting to be held in late June."

"All this has to be conducted in a stable environment and what is most needed now is calmness, reason, restraint and order," it added.

The speech urged students to take the interests of the state into account and do no harm to the on-going Sino-Soviet summit meeting, for "the success of the summit meeting is in the interests of both the Chinese and the Soviet people and conducive to peace and stability of the world".

"As the hunger strike has been going on for several days and it is cool at night, some students have fallen ill. Leaders of the party Central Committee and the State Council are deeply concerned about this and they hope the students will return to their campuses as soon as possible," the speech said.

The speech also urged school leaders, teachers and students' parents to persuade the strikers to return to their schools.

"It is our common goal to realize modernization of the country and revitalize the Chinese nation. Let us work with one heart and one mind for the cause of reform and opening to the outside world, the current improvement and rectification campaign, the building of a honest government and the further progress of the economic structural reform and the political structural reform so as to build China into a modern socialist country," the speech concluded.

Hunger Strike Continues 16 May

OW1605083989 Beijing XINHUA in English
0816 GMT 16 May 89

[Text] Beijing, May 16 (XINHUA)—The Beijing students' hunger strike is continuing in Tiananmen Square in central Beijing despite an appeal last night by the central authorities for the strikers to go back to their campuses.

A spokesgirl gave a news conference on the spot this morning, announcing that more than 230 of the 2,000 hunger strikers had fainted.

However, she said, the strikers were sticking to their original demands—that the central authorities recognize the recent student activities as a patriotic and democratic movement and that top leaders of the central authorities have early and direct discussions with them.

In response to a question, the spokesgirl said the hunger strike fortuitously coincided with the visit to China of Soviet leader Mikhail Gorbachev, a visit that the strikers welcomed. But a spokesman for the Foreign Ministry

said an arrangement for the Soviet leader to place a wreath on the monument to the people's heroes was canceled because the hunger strikers and onlookers were gathered at the square where the monument is located.

University teachers, scientific researchers and journalists went to the square to show their support and sympathy for the hunger strikers, who are on the fourth day of their fast.

Ambulances from the Beijing first-aid center and colleges and universities are stationed around the crowd of strikers.

Gathering of 800,000 Estimated

HK1605021489 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1540 GMT 16 May 89

[Report by reporter Wang Yelong (3769 2814 7127): "Universities and Colleges in Beijing Institute Classroom Boycott in an All-Around Way, and Half a Million Teachers and Students Gather at the Tiananmen Square Again"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 15 May (ZHONGGUO TONGXUN SHE)—Today, about 500,000 people, who are teachers and students of universities and colleges in Beijing, and some technical workers of the Chinese Academy of Sciences, gather again at Tiananmen Square to support students who are staging a hunger strike. They urge the authorities to negate the conclusion of the "26 April editorial," to affirm the students' patriotic act, and to carry out a dialogue on an equal basis.

Starting from the afternoon of 14 April to early morning today, student representatives held a dialogue with the government. The authorities urged the students to withdraw from Tiananmen Square, whereas student representatives wanted the authorities to abrogate the conclusion that the student movement is an upheaval. Both sides stuck to its own argument, and the dialogue broke down.

Starting from 0800 today, teachers and students from a score of universities and colleges in Beijing, including Beijing University, Qinghua University, the Chinese People's University, Beijing Teachers' University, Beijing University of Aviation, Beijing University of Engineering, and so on, and their family members, and some technical workers from the Chinese Academy of Sciences rode bicycles, and carried their slogans and posters to march toward Tiananmen Square.

At noon, the Tiananmen Square was crowded with people, and banners were fluttering everywhere. People packed almost all the square. According to a rough estimation, the highest number of the people gathering at the square, including onlookers consisting of Beijing residents and tourists from other places, was 800,000.

In some groups of demonstrators, there were a number of teachers. There were also a certain number of foreign teachers and foreign students. The posters they carried read: "We are eating grass," "Save my students," and so on.

A student leader stated that their current minimal demands are: 1) the government must abrogate the conclusion of the "26 April editorial," and admit that student action is not an upheaval, but a patriotic and democratic move; 2) a dialogue on an equal basis must be conducted.

200,000 Protesters Reported

OW1605064589 Tokyo KYODO in English
0627 GMT 16 May 89

[Text] Beijing, May 16 KYODO—Protests again disrupted the itinerary of the historic Sino-Soviet summit as an estimated 200,000 people by noon Tuesday had crowded into Tiananmen Square to join demonstrations for greater freedom and economic reform.

The huge demonstration forced authorities to cancel a flower-laying ceremony at the square by visiting Soviet President Mikhail Gorbachev scheduled for Tuesday morning.

The number of students taking part in a hunger strike which began 4 days ago to dramatize demands for greater personal freedom in China, meanwhile, has swollen from 1,000 to 3,000, according to student leaders in Beijing.

Protest leaders also claimed Tuesday that about 70,000 iron factory workers in the Chinese capital plan to go on strike in support of the students' protest demands.

More than 200 prominent intellectuals, including leading political scientist Yan Jiaqi, also voiced their support in an open letter submitted to Chinese Communist Party leaders on Tuesday.

Also a group of reporters from the party's official newspaper, THE PEOPLE'S DAILY, joined the demonstration in the square to criticize their own news coverage of the mass demonstrations which have rocked China the past month since the death of the reform minded leader, former party chief Hu Yaobang.

Reporters Join Protest

HK1605042089 Hong Kong AFP in English
0417 GMT 16 May 89

[Text] Beijing, May 16 (AFP)—Chinese journalists, including writers from the Communist Party mouthpiece, the PEOPLE'S DAILY, Tuesday marched through Beijing to join about 50,000 demonstrators demanding democracy in central Tiananmen Square.

The PEOPLE'S DAILY journalists walked behind a banner identifying their paper, as the four-day protest movement continued to expand. University teachers and workers were also among the demonstrators and some 3,160 hunger strikers, according to student organisers. The number of hunger strikers has risen since Saturday from an initial 1,000.

The demonstration is taking place outside the Great Hall of the People, where Soviet leader Mikhail Gorbachev opened historic talks with senior leader Deng Xiaoping on Tuesday.

Student organisers said that 240 students had been evacuated after falling ill. Ambulances and white-coated students from the medical faculty were in the square where students were waving red flags and banners.

Mr. Gorbachev's motorcade Tuesday took a detour to avoid the crowds in Tiananmen Square and the new groups of demonstrators approaching the plaza. He entered the Great Hall of the People, on the western side of the square, through a side door, avoiding the main entrance.

Earlier Tuesday, a wreath-laying ceremony in the square was cancelled because of the continuing student protest.

Students Threaten Self-Burning

HK1605013989 Hong Kong SOUTH CHINA
MORNING POST in English 16 May 89 pp 1, 9

[From Marlowe Hood in Beijing]

[Text] The crisis in the Chinese capital deepened last night when 12 students threatened to burn themselves to death unless the government concedes to demands for televised dialogues and recognition of unofficial student organisations.

Although the first deadline—I am this morning Hong Kong time—passed without incident, the threat has been taken seriously.

At the same time, several thousand workers have gone on strike at Capital Iron and Steel Works, one of China's largest steel plant with 220,000 workers.

Both reports were confirmed by an official in the Communist Party Propaganda Department, but an official at the steelworks was quoted by the NEW CHINA NEWS AGENCY early this morning as saying production "normal."

"A report that 70,000 workers are on strike is simply not true," the report said.

At about 11:30 pm several thousand students from Beijing University in the northwest suburb of the city commandeered six buses to take them to Tiananmen Square.

And as the deadline approached for students to set themselves alight, the government began broadcasting an announcement on the square attributed to the offices of the State Council and the Central Committee of the Communist Party.

"Hunger strikers have requested a dialogue and that dialogue has already begun," the broadcast said, adding that the government was presently studying how to handle the demands made by students.

"All of these things require stability. What we need most is calm reason and a scientific attitude."

In reference to the summit, the broadcast said: "We hope students do not do anything to damage our national image."

Earlier in the day, thousands of teachers, journalists and workers took to the streets of Beijing in a dramatic and organised show of support for students staging a hunger strike in the square.

Waving banners and shouting pro-democracy slogans, the marching intellectuals paralysed the city centre and forced the government to relocate a welcoming ceremony for Soviet leader Mikhail Gorbachev originally scheduled to take place in front of the Great Hall of the People.

This is the first time that non-students have taken part in such a large scale in anti-government protests since demonstrations began after the death of deposed Communist Party leader Hu Yaobang on April 15.

There was said to be about 150,000 people in Tiananmen Square last night.

There were several minor scuffles involving young non-students.

In one incident Japanese journalists were roughed up by a group of young men, described by observers as "hooligans".

Beneath the monument to the people's heroes, 2,300 hunger strikers lay sprawled on the concrete, sipping glucose.

Fung Jinghong, a political science student at Beijing University said: "Our purpose here has nothing to do with the Gorbachev visit. We just want our rights and freedoms."

By nightfall, one student leader said as many as 120 hunger strikers had been taken away for treatment. Some were reported suffering from internal bleeding, or were reported comatose for up to three hours.

Students with cardboard boxes wandered through the crowd of spectators, pleading with loud-hailers for donations to buy glucose water, parasols, sun hats, blankets and other necessities for the strikers.

But unlike last Saturday, when boxes brimming with cash could be seen at the start of the strike, donors appeared to be few yesterday.

One student leader said only several thousand yuan had been collected.

Behind the Monument to the People's Heroes, beneath calligraphy carved on to the obelisk by popular former premier Chou Enlai, students and teachers made non-stop speeches to an audience that regularly broke into applause.

A group of hunger-strikers, in broadcast announcements and a photo-copied pamphlet, threatened self-immolation to protest against the government's refusal to meet with students on their terms.

"We are not fooling around. People came here knowing that lives were at stake," said Song Jianhua, a sophomore at Beijing Medical College, whose students were caring for the hunger-strikers.

"Maybe I will set myself on fire," one sobbing woman hunger striker screamed into a loudspeaker that the strikers ran with car batteries.

More than 1,000 students will enter their fourth day of the hunger strike today. More than 40 have been taken to hospital.

"We are entering a critical phase. After 60 hours without food, even the strongest of individuals will suffer a drop in blood pressure and dehydration," a worker at the Beijing chapter of the International Red Cross said.

"I don't see how they can let this go on," he said.

Elsewhere, 200 soldiers sat patiently on stools to block 10 times as many people from entering a side street on the south side of the Great Hall of the People.

At one stage, a few hundred students surged up the steps towards the huge doors of the Great Hall.

They were met by a large contingent of People's Armed Police, who herded them back to the square.

Unknown to practically everyone in the square, Mr Gorbachev was having dinner at the other end of the building.

Meanwhile, senior government leaders appeared to concede to at least one of three student demands after negotiations yesterday, according to the NEW CHINA NEWS AGENCY.

Reversing an earlier assessment, Politburo member Li Tieying characterised the student movement of the past month as "good and patriotic" and said that large-scale demonstrations on April 27 and May 4 "should be positively assessed".

Students have strongly objected to an April 26 PEOPLE'S DAILY editorial which accused the students of creating chaos and disrupting the stability of China.

Two other demands—live, televised broadcast of negotiations with senior leaders and recognition of unofficial student associations—have not, however, been granted.

Not all of Mr Li's comments were conciliatory.

The former minister of education, generally considered to be at the liberal end of the leadership spectrum, said that student activities had a "negative impact on the dignity of the country".

The Chinese leadership is extremely embarrassed that Mr Gorbachev's visit had been marred by the demonstrations, which may indicate that the government was unable to control the domestic political situation, said Chinese sources close to senior leaders.

As the wave of anti-government protests—the fourth such crest in the past month—enters its third day, speculation had turned towards the government's ability to bring Beijing streets under control.

Several well-placed Chinese sources have described an almost chaotic situation within the ranks to top leaders.

Observers were surprised when 12 prominent intellectuals known for their strong advocacy of rapid political reform urged striking students on Sunday to leave the square.

But several of these well-connected figures later explained that they feared dire political consequences if the student protest continued to escalate.

"Further disruption or chaos will damage (party leader) Zhao Ziyang's position," noted one of the intellectuals.

Already in a weak political position since last autumn, Mr Zhao has been able to use his liberal credentials and political skills to enhance his position during the month-long crisis since the death of Mr Hu.

"But if things continue, the hard-liners are going to have their day," said the source.

Many people in Beijing are also beginning to speculate on whether the military will step in. If labour unrest escalates, so do the chances of military intervention, note Chinese and diplomatic sources.

Further Reportage, Comments on Student Protests

Zhao Denies Instability

OW1505211189 Beijing BEIJING REVIEW
in English No 20, 15-21 May 89 p 7

[Text] While meeting with the Asian Development Bank governors, Zhao Ziyang said that the student demonstrations were not indicators of political instability.

He said that the slogans of the demonstrators reflected their mixed feelings of satisfaction and discontent toward China's Communist Party and government.

"Though demonstrations are still under way in Beijing and some other big cities in the country, I still believe there will be no big riots and the demonstrations will gradually calm down," he said. "I'm very confident about this."

The students' reasonable demands should be met through reforms and various other democratic and legal means, said Zhao. But, he said, the most important needs at present are calm, reason, restraint and order.

Zhao's speech on the situation has won favourable public and student praise. During their informal discussions, many students at the Beijing Science and Technology University agreed that Zhao's words were suitable, practical and realistic.

They were pleased to hear that the party leader considered them patriotic and that they were not believed to be manipulated by anyone although a handful of people might make use of them.

Some postgraduates from Qinghua University said if the government had held such an attitude from the very beginning the whole matter would have been handled much better.

Other postgraduates from China University of Political Science and Law said Zhao's speech conformed to the spirit of legality since he stressed solutions through a democratic and legal process that was in accordance with the students' demands. At the same time, they pointed out that compliance with the law was still a major problem in present-day China. They cited the handling of the WORLD ECONOMIC HERALD affair as an example and questioned its legality.

Students Support Zhao Analysis

OW1105113589 Shanghai JIEFANG RIBAO
in Chinese 6 May 89 p 1

[Text] The speech made by Zhao Ziyang, general secretary of the Central Committee of the Communist Party of China, during his meeting with the guests attending the annual meeting of the Asian Development Bank has aroused widespread repercussions in institutions of higher learning in Shanghai. Students' general comments

on the speech are that it is satisfying and acceptable. However, some of them are not sure that problems can be truly solved in the future as he said.

Several male students of Fudan University told reporters: In his speech, Zhao Ziyang put forward some norms that both the government and the people should follow for a long time to come. If these norms are followed, the situation will be back to normal and law and order will be restored.

An undergraduate student of the Shanghai Institute of Foreign Languages said: "What Comrade Zhao Ziyang said in his speech was quite objective. He described most students as 'both satisfied and dissatisfied' with the Communist Party and the government, and such analysis and appraisal made by him conform to reality."

A female student cadre of the Shanghai College of Finance and Economics said: Comrade Zhao Ziyang made a correct analysis of the reasons behind the student demonstration. His appeal for calmness, rationality, restraint, and order was very timely and to the point, and it helps students understand the problem and facilitates doing persuasion work among students.

In a room in the No 5 dormitory of the East China Normal University, about a dozen students who took part in the demonstration, all talking at once, said to reporters: "We have been understood finally." An organizer of the demonstration said: "Zhao Ziyang's speech shows that the party and the government have had a greater understanding of the students. I am sure that all my fellow students who took part in the demonstration are happy about it. Indeed, the objective of our current student movement is not to oppose our socialist system. Our complaints are mainly against the inadequate legal system and the insufficient openness of major issues. In my view, this is not because students are more progressive, since the mentality of our teachers and the people as a whole is same as ours. It is simply because we young people have the courage to think, speak, and act."

On the recent student demonstration, a student of Fudan University told reporters: Under normal conditions, complaints should be aired through normal channels, but sometimes the normal channels are blocked. We resorted to demonstration because we were not permitted to put up big-character posters and our letters were ignored. At present, there are only local regulations, and no national regulations, governing demonstrations. The students held the demonstration without government permission, because their previous requests for holding demonstrations had never been approved.

A cadre of the students' association of East China Normal University said: "Zhao Ziyang's speech is good; but we will wait and see whether the problem can be solved as he said, and how he will solve the problem in a democratic and legal way. The problem of corruption

should not be left unsolved, nor should we merely report one or two typical cases. If the law is not enforced and the system is not improved, it is still very difficult to eradicate corruption."

Several students from the Shanghai Institute of Foreign Languages said: Now the situation is back to normal, but we hope that the government will adopt measures to eradicate corruption, enact legislation, and promote openness. It should do without delay what it promises. This is a hope shared by all students.

Li Tieying, Yan Mingfu Comment
OW1505123289 Beijing Television Service
in Mandarin 1000 GMT 15 May 89

[From the "National News Hookup" program]

[Text] Li Tieying, member of the Political Bureau of the CPC Central Committee and state councillor, and Yan Mingfu, member of the Secretariat of the CPC Central Committee, held a dialogue with students of some institutions of higher learning in Beijing today. They again affirmed the patriotic enthusiasm and the reasonable request of the large number of students for promoting democratic process, but they also reminded the students that the development of things is not always dependent on the people's good intention. They hoped everyone will show high level of sensibility and solve problems along the path of democracy and legal system.

Following the dialogue between Li Tieying and Yan Mingfu and students of some institutions of higher learning of Beijing on 14 May, the All-China Students Federation and the Beijing Students Federation this morning invited more than 50 students of the institutions of higher learning of Beijing to hold dialogue with Li Tieying, Yan Mingfu, and other responsible persons of the departments concerned of the CPC Central Committee, the State Council, and Beijing Municipality at the Auditorium of the Chinese People's Political Consultative Conference.

At the meeting, which lasted for some 3 hours, the main request put forth by some students was that they hoped that the central authorities will make a correct assessment of the current students' unrest.

Li Tieying said: In their speeches on many occasions, party and government leaders have affirmed the patriotic enthusiasm and good intention of the large number of students. However, the whole situation is still developing. Some of the things are not dependent on man's will. Li Tieying hoped that the large number of students will act coolly and reasonably and let practice and time assess the current students' unrest.

Yan Mingfu said: I affirm the mainstream of the students' movement as a whole, with the exception of the fact that the students did not file applications and obtain approval for their parades on 27 April and 4 May, which

I regret. However, I am also worried about some occurrences during that period. Now some students are still on a hunger strike at Tiananmen Square. Our country's image has been affected to some extent. I hope that students will use their actions to show that they are sensible.

At the meeting, Li Tieying and Yan Mingfu noted that many problems raised in the current students' unrest should be given serious thought. There is much room for improvement in many aspects of the work of the party and government, such as the use of scientific and democratic approach in decisionmaking, the integrity of leading party and government cadres, selection and use of cadres, and press reform. These are all important questions badly in need of solution. Solving these problems takes time. Democracy and the legal system should be perfected through legislation. Social supervision, including mass supervision, should be tightened. The state should publicize its political activities, and all the rules and regulations should be perfected. Problems should be solved in the course of economic and political reform, and along the path of democracy and legal system.

At the meeting, Du Daozheng, director of the State Media and Publications Office, and Wei Jianxing, minister of the State Supervision Ministry, also briefed the students on the drafting of the press law and related information on investigating and handling bureaucratic racketeers, and other cases of corruption.

Li Tieying and Yan Mingfu also expressed the wish to hold different forms of dialogues with the large number of students at various levels and through many channels to listen to their opinions and suggestions.

At the meeting, students of Beijing Petroleum University, Beijing University of Aeronautics and Astronautics, Beijing Foreign Language Institute, Beijing Normal College, Beijing Agricultural University, Beijing College of Economics, Beijing University, Beijing University of Science and Technology, the Central College of Nationalities, and the China University of Political Science and Law aired their views.

Also attending today's meeting were Yuan Mu, He Dongchang, An Chengxin, Sun Wanzhong, and Lu Yucheng, responsible persons of the departments concerned of the CPC Central Committee, the State Council and Beijing Municipality.

Further on Yuan Mu Statements
OW1205213989 Beijing XINHUA Domestic Service
in Chinese 1439 GMT 12 May 89

["Local Broadcast News Service"]

[Text] Beijing, 12 May (XINHUA)—This morning, State Council spokesman Yuan Mu answered questions raised by Chinese and foreign journalists concerning China's current economic situation and other issues.

Yuan Mu began the news conference held at the China Journalists' Association by giving the journalists a briefing on China's national economic development during the January-April period this year.

Foreign Trade, Capital Construction Investment, and Money Supply

Citing figures to answer a reporter's question regarding capital construction investment, foreign trade, and money supply during the nation's economic retrenchment, Yuan Mu said: According to statistics of Chinese customs offices, China's exports during the January-March period this year reached \$9.7 billion. That was a growth of 9.4 percent over the same period last year, but the extent of growth [zeng zhang fu du 1073 7022 1607 1653] dropped 15 to 16 percentage points. [sentence as received] Thanks to efforts to control and curtail investment, the amount of money invested in fixed assets declined. The total investment in fixed assets during the January-April period was 3.04 billion yuan. While that was a drop of 3.6 percent from that of the same period last year, it still fell short of the target. Moreover, the economic performance was not fully satisfactory. Because of rising commodity prices and outdated management, the cost of comparable products produced by state-operated industrial enterprises increased 15 percent from that of the same period last year. On the other hand, the amount of profits and taxes made from selling each 100 yuan of goods dropped 11 percent from that of the same period last year.

Yuan Mu said: As for the money supply, the amount of currency circulated in the country at the end of last year was 210 billion yuan, or over 60 billion yuan less than that at the end of 1987. Although additional money was put back into circulation early this year, more money was withdrawn from circulation and the amount of currency withdrawn from circulation was greater than that of the same period last year.

Yuan Mu said: The economic development during the January-April period shows that while the nation's industrial production as a whole did not drop, certain localities, departments, and state-run enterprises did register some production decrease. The causes are relatively complex. They included capital shortage, rising prices of raw and semi-finished materials, and mismanagement in some enterprises.

Answering a question on this year's retail price index, Zhang Zhongji, director of the Department of Unified Economic Statistics under the State Administration of Commodity Prices, replied. He said: The average price index during the January-April period increased 27 percent over the same period last year, but the extent of increase was dropping each month. Statistics show that the price index in April was lower than that of March in 18 of the 35 large and medium-sized cities across the country.

The Issue of Unfair Distribution in Society Should Be Resolved by Three Measures

When a reporter mentioned the tax evasion by singing star Mao Amin, Yuan Mu said: After the disclosure of Mao Amin's tax evasion, she paid the back taxes following a talk with her by relevant departments. We applaud her initiative. We also hope that other tax evaders will pay their unpaid taxes.

Yuan Mu pointed out: This incident shows that our tax system and our tax collection are still defective. This being the case, one of our pressing projects is to deal with unfair distribution in society—a problem of public concern—through deepening reform. To deal with this problem, we must, first of all, hit hard at all lawless acts, suppress all kinds of illegal activities, take firm actions to improve the circulation of goods, and check up on and reorganize various companies. Second, we must improve the tax system, and improve tax collection and management, especially the collection and management of regulatory tax from personal incomes. All taxable incomes must pay taxes according to regulations and resolute measures should be taken to eliminate all kinds of tax evasion. Third, from a long-term point of view, we must continue to develop the socialist commodity economy and give the people equal opportunities to compete. Only by doing this can we completely eliminate the unfair social distribution.

There Will Be No Campaign Against Bourgeois Liberalization

A journalist asked Yuan Mu: During your recent dialogue with college students you said that the fight against bourgeois liberalization was "not thorough." Does it mean that somebody will be held responsible for this? And does it mean that there will be another campaign against bourgeois liberalization?

Yuan Mu replied: To my understanding, going against bourgeois liberalization and upholding the four cardinal principles are two identical concepts, or we may say that they mean the same thing. This has been explained time and again in the important documents of our party and government. The main issue of what is known as bourgeois liberalization is that it tries to discredit CPC leadership and the socialist system. Our fight against bourgeois liberalization as a social trend will go on for a long time in our country.

Yuan Mu added: During my recent dialogue with college students, I did not say the fight against bourgeois liberalization was "not thorough." I said the fight was "not resolute" at one time. "Not thorough" and "not resolute" are two different things. When I said that, I did not mean that we should launch a campaign against bourgeois liberalization. Personally, I think that ideological issues can only be resolved by patiently improving our ideological and political work, and not by campaigns.

College Students Will Take National Stability Into Account

A reporter asked: I hear that the students will demonstrate during Soviet leader Gorbachev's visit and that they want a dialogue with him. What is the government's response to this?

Yuan Mu replied: During the dialogue with the students and at a news conference I, as the State Council spokesman, already stated my view with regard to the students' recent parades, demonstrations, and boycott of classes. Our party and government leaders have also stated their views on this issue on different occasions. I believe that the students will follow General Secretary Zhao Ziyang's advice and will continue to resort to reason, remain calm, act orderly, and restrain themselves so that problems can be resolved democratically and lawfully through proper channels. I also believe that the overwhelming majority of students will take the state's political and social stability into account and protect our country's international image.

Government Posture Praised

HK1605092789 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 20, 15 May 89 p 1

["Letter From Beijing" by Bao Xin (7637 0207): "A Sensible Choice"]

[Text] My brother:

After mid-April, the situation in Beijing at one time became very tense, and people were deeply worried about the development of events. Now, the student demonstrations have basically calmed down, and events did not develop to the degree people feared. This was because the government adopted the correct measures toward the student demonstrations, and the students also behaved in a cool-headed manner. This was undoubtedly a sensible choice, and was also praiseworthy. It indicated that both the government and the students understood the importance of keeping calm and rational in the handling of emergencies. At the same time, this also indicated the political maturity of the government and the people.

Japan's Jiji news agency commented that "as it was expected that the Chinese Government would use the Armed Forces to suppress the student demonstrations, the orderly completion of the demonstrations deeply impressed the world with China's stability." It is quite true to say this. In my opinion, to judge whether the political situation in a country is stable or not, the fundamental point is to see whether government policies in the country are in line with the interests of the people and with the trend of the times. If the fundamental policies of the state are correct, even if there are some errors, and this causes resentment among some people, and even if such resentment is expressed through mass

rallies and demonstrations, so long as the government adopts a calm and rational attitude and measures, there will not be major social upheaval.

I think that this time the government could adopt a cool-headed, rational, and restrained attitude toward the student demonstrations mainly because the authorities correctly assessed the situation and correctly appraised the student demonstrations. General Secretary Zhao Ziyang explicitly pointed out that most students did not oppose our fundamental system. He also said that some people attempted to make use of the student unrest to create disturbances in our country, but the number of such people with ulterior motives was very small. Most students know how to guard against these people, and there will be no major disturbances in China. This was undoubtedly a very sober-minded and sensible judgment, and such a realistic and accurate judgment determined that the government would not adopt repressive measures against the student demonstrations and would just adopt a tolerant, advice-giving, and caring attitude toward the students. This was exactly what the Chinese people wanted to see, and was also praised by international opinion. The broad-minded attitude that the government showed toward the student demonstrations also indicated that the state leaders had full confidence and strength in overcoming the current difficulties and resolving various real problems.

I think that the cool-headed and restrained attitude adopted by the government toward the student demonstrations also showed that the government and the people share the same fundamental interests and objectives. Both the government and the people hope that our country will continue to advance with great strides along the course of reform and opening up. The students require the government to take effective measures to eliminate corrupt phenomena and remove the obstacles to further advances of reform and opening up. This is also the hope of the CPC and the Chinese Government, which are always making efforts to solve these issues. This time, the government fully understood the patriotic enthusiasm of the students. An ancient Chinese saying says that "nothing is more deplorable than the apathy of the people." Both the government and the general public abhor the various corrupt phenomena appearing in society. At this time, a large number of students have not kept silent and have strongly expressed their deep concern for the country and the people in a straightforward way. This indicated that the soul of the nation remains intact, and the patriotic spirit of the students should certainly be affirmed.

Of course, the government did not merely remain restrained and tolerant and did not merely try to prevent the deterioration of events; instead, the government has also actively arranged dialogues with students, workers, intellectuals, democratic parties, and people in various circles to increase mutual understanding with the masses through the exchange of opinions and extensive consultations in a sensible and orderly atmosphere, and to find

better solutions for various problems in a democratic way within the framework of the legal system, thus advancing reform and construction. I believe that as long as the government handles things in this manner, the resentful and antagonistic sentiments among some students toward the government will certainly be eliminated, and the enthusiasm of the students and the masses for acting as masters of the state and participating in the handling of state affairs will be maintained. This will increase the rallying force of the masses around the government and will promote the modernization process.

Facts show that because the government has adopted a sensible attitude and respected the voice and desires of the students and the masses, it has won unanimously favorable comments from public opinion at home and abroad, and unexpectedly good results have been achieved. The favorable comments on the remarks of General Secretary Zhao Ziyang among people at home in various circles have been widely covered by the mass media, and the foreign news media and Overseas Chinese have also widely praised the sensible attitude of the Chinese Government. International bankers generally hold: "So long as the demonstrations continue to be peaceful, investors will not fear to place their money in China." When the student demonstrations in Beijing were completed peacefully, the stock market in Hong Kong also rose sharply. The image of the Beijing government in the minds of the Hong Kong people was greatly improved, and they have increased confidence and optimism about the future prospects for China and for Hong Kong.

[Signed] Bao Xin

9 May

Qinghai Muslims Demand Author's Punishment
*HK1605012589 Xining Qinghai Provincial Service
in Mandarin 2230 GMT 15 May 89*

[Text] On the afternoon of 15 May, nearly 100,000 Muslims in Xining, Minhe, Huangzhong, Hualong, Xunhua, and Gansu Province's Linxia held further street processions to demand that the government severely punish the author and editors of the book "Sexual Habits."

At 1500 Muslim masses assembled in front of the Dongguan Mosque in Xining started to march along the main streets. As they marched, they shouted the slogans "Support the CPC," "Support the party's nationality and religious policies," "Oppose blasphemy against Islam," "Resolutely uphold the honor of Islam," "Resolutely boycott the distribution of blasphemous books and publications," and "We demand that the government back up the Muslims."

At about 1612, the marching masses arrived in front of the provincial government building. The entire road from Ximenkou to the Jiefang Theater was a mass of

Muslims. Traffic was halted and shops closed. A loudspeaker mounted on top of a vehicle in front of the provincial government building repeatedly broadcast the Muslims' letter of appeal and three demands for a provincial leader at the vice governor level or above to come out to talk with the masses; for the media to factually report this demonstration; and for the government to make a policy decision on this serious incident regarding the book "Sexual Habits" as soon as possible. During this time, the provincial government four times broadcast the views of the State Press and Publications Administration and four other departments on dealing with this book, together with the decision made by the provincial party committee and government.

At about 1700, the Muslim masses sent representatives into the provincial government building for a nearly 2-hour dialogue with Vice Governor Bainma Dandzin and responsible persons of departments concerned. The representatives presented five demands to the provincial government: severe punishment for the author and editors of "Sexual Habits"; speeding up of legislation on religion; public destruction of the book; and compensation for the spiritual losses of the Muslims, and so on.

At 1902 Vice Governor Bainma Dandzin broadcast to the Muslim masses, again reporting to them on the decision of the five central departments on dealing with "Sexual Habits." He went on to say: We agree to all the demands raised by the Muslim representatives who have held a dialogue with the provincial government and will report them to the central authorities. The party and government understand the Muslims' anger at this book, and we also understand this demonstration and petitioning.

Beginning from 1912, the demonstrators dispersed along Changjiang Road, 1 July Road, Beida Street, and Dongda Street. The demonstration was orderly.

Leaders Vocalize Support for Press Reform
*HK1505135089 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1059 GMT 15 May 89*

[Text] Beijing, 15 May (ZHONGGUO TONGXUN SHE)—Zhao Ziyang, general secretary of the CPC Central Committee, Hu Qili, member of the Standing Committee of the Political Bureau of the CPC Central Committee, and some other decisionmakers of the CPC hierarchy have recently expressed their understanding of the petition activities carried out by some of the journalists in Beijing and have pledged to push ahead with the press reform and the press legislation of the Chinese mainland.

A well-informed source has disclosed that Zhao Ziyang has recently adopted a positive attitude toward the Chinese media's unlimited coverage of the recent student demonstrations across the country. Zhao Ziyang said that news reporting was placed under a relatively rigid control at the very beginning of the student unrest. Later on, such control on news reporting was relaxed a

bit. It seems that further lifting control on news reporting in this regard will not force the authorities to run a greater risk in the current situation. Zhao Ziyang said that over the past few years, China's press reform has been developing in this orientation. Control over news reporting has been reduced, which has in turn given a powerful impetus to the development of China's socialist democracy, including openness and transparency. Zhao Ziyang asserted that if political transparency remains low, there is bound to be misunderstanding and mistrust between the party and the government on the one hand and the people on the other. Many of China's current problems have been caused by the low political transparency in China.

Zhao Ziyang also said that the press legislation should no longer completely comply with the conventional concepts of the press. The press legislation must first of all guarantee the implementation of China's Constitution, which means that the press legislation should not only guarantee freedom of the press but also prevent indiscriminate use of freedom of the press. While absolute freedom of the press is impossible, complete compliance with the conventional concepts of the press is no longer workable, either. Therefore, the question of freedom of the press can only be settled by dint of a sound legal system. Zhao Ziyang also pointed out that press legislation must be carried out by the legislative organs which must in turn hold sufficient discussions on the matter.

Yesterday, Hu Qili, who is in charge of the CPC's ideological work, said that it is necessary to show understanding for the journalists who took part in the demonstrations on 4 May and signed a petition on 9 May and it is equally necessary to fully listen to the views of these journalists. Hu Qili said that the press reform must be carried out. However, the press reform should proceed step by step. The pace of the press reform should be determined by the degree of social stability. Hu Qili also pledged to push ahead with China's press reform and promote freedom of the press in China.

Hu Qili Talks With Editors, Reporters
OW1205180389 Beijing XINHUA in English
0733 GMT 12 May 89

[Text] Beijing, May 12 (XINHUA)—Hu Qili, a member of the Standing Committee of the Political Bureau of the Chinese Communist Party Central Committee, yesterday had a dialogue with editors and reporters from the "CHINA YOUTH NEWS", the paper reported today.

It said the discussion, which took place in the paper's offices, was held in "a cordial, harmonious and friendly" atmosphere. Hu listened to opinions raised by the participants, it said but gave no further details.

Also present at yesterday's discussion were Song Defu, first secretary of the secretariat of the Chinese Communist Youth League (CCYL) Central Committee, Li Yuanchao,

a member of the secretariat of the CYL Central Committee, She Shiguang, former president of the paper, and Wang Shi, former editor-in-chief of the paper.

Xu Zhuqing, president and editor-in-chief of the paper, presided over the discussion.

Earlier this week, a petition signed by Beijing journalists called for a dialogue with party and government officials.

The petition was handed to the All-China Journalists association May 9 by two staff members of the "CHINA YOUTH NEWS". It was reported that many editors and reporters from the paper signed the petition.

Shanghai Paper Publication Postponed
HK1605021189 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 1201 GMT 15 May 89

["The Latest Issue of SHIJIE JINGJI DAOBAO Cannot Be Published as Scheduled"—ZHONGGUO TONGXUN SHE headline]

[Text] Shanghai, 15 May (ZHONGGUO TONGXUN SHE)—Issue No 442 of SHIJIE JINGJI DAOBAO, which should have been published today, cannot meet its publication deadline.

An informed source who knows the inside story has disclosed that originally, the latest issue of the journal was going to devote an entire page to the publication of domestic and foreign responses in regard to the suspension of SHIJIE JINGJI DAOBAO chief editor Qin Benli and the stationing of a rectification group in the journal's office by the Shanghai Municipal CPC Committee. Because these responses included criticisms of this measure by the Shanghai party committee, the rectification group did not approve its publication, thus delaying the publication of the journal.

Another factor that contributed to the rectification group's disapproval was the devotion of an entire page to an advertisement for a U.S. corporation, which reportedly carried the words "Salute to Qin Benli."

The previous issue (No 441) was delayed because there was controversy over whether an open letter from the Chinese World Economic Association to Shanghai Municipal CPC Committee Secretary Jiang Zemin should be published. Eventually that open letter was not published by the journal.

According to reports, this afternoon the rectification group will hold consultations with SHIJIE JINGJI DAOBAO leaders to search for a proper solution to the problem.

Stalin's Decline in Stature Discussed
OW1605045889 Beijing BEIJING REVIEW
in English No 20, 15-21 May 89 pp 7-8

[Text] Had this May Day not been its 100th anniversary, it might have gone down around the world as just another May 1st.

But, May Day in Beijing was different. Unlike past decades, those giant portraits of Marx, Engels, Lenin and Stalin that annually, May Day after May Day, decorated the sides of Beijing's Tiananmen Square at the nation's heart, were missing.

It had long been a routine that the four laozuzong [preceding word published in italics] (meaning the old ancestors, or the originators of communism) show up in the square twice a year, once on May Day, then again on the National Day of October 1.

With more freedom, people are demanding that Joseph Stalin's portrait not appear, because of both his errors and crimes that are increasingly being disclosed and outraging socialists. With these revelations, Stalin's cult along with his non-Marxist and non-socialist theories and practices is coming under harsh attack.

One student denounced Stalin, saying he was a dictator and anything but a revolutionary teacher. He is not a man whom the Chinese should respect, trust and commemorate.

Although some Sovietologists haven't quite yet arrived at the same conclusion over Stalin, they generally agree with the basic arguments found in the student's suggestion.

"I think that Stalin's portrait should have been taken down. His status is different from that of Marx, Engels and Lenin," said Wu Renzhang, a leading researcher in the Institute of Soviet and East European Studies under the Chinese Academy of Social Sciences.

"Stalin is not on the same level as the other three are, he's lower, he shouldn't be mixed up with the other three. I think this is obvious," he said.

Now, however, all four portraits of the laozuzong [preceding word published in italics] are gone, despite the fact that there is little doubt about China's political faith in the other three.

Some Western journalists have seen this as a move away from internationalism towards the establishment of the national political heroes such as Mao Zedong and Sun Yat-sen.

But some people here believe that the policy-makers didn't want the absence of Stalin's picture to be too conspicuous, so the portraits of the other three had been taken down at the same time.

It is noticed that the change took place two weeks before Mikhail Gorbachev's official visit, the first visit made by the Kremlin's supreme leader in 30 years, and this has also been linked with the fallen portraits.

But does Chinese etiquette in pleasing guests go to the extent of ripping down portraits of revolutionary saints?

The fact is that the Stalin cult and Stalinism are as faded in China as in the USSR.

A quick look through a few bookstores will easily turn up several works that show Stalin's arrogance, brutality, monocracy. Other books, best sellers in China, tell of his dictatorial politics as well as his veiled private life.

Both foreign and Chinese writers have written works that have blasted Stalin's image to a new low. There's "Children of the Arbat" by Anatoliy Rybakov, for example, that has reached the Chinese in translation. The book created a furor in the USSR just as it did in the West with its quasi-autobiographical trilogy with Stalin's Great Terror as its background.

Other books and articles relating to Stalin include the "Secret History of the Kremlin—Memoirs of Stalin's Mistress," "Doctor Zhivago," the "Soviet Movement of the Elimination of Counterrevolutionaries and Unjust, False and Wrong Verdicts," "Stalin's Strange Image" and "Stalin and Bukharin."

These publications are the outcome of the reassessment of Stalin in the Soviet Union and China, also the cause of the further reassessment.

The Chinese authorities haven't officially reappraised Stalin. The last assessment came out of "On the Stalin Issue," jointly written by RENMIN RIBAO (PEOPLE'S DAILY) and HONGQI (RED FLAG) magazine, on behalf of the Chinese Communist Party, in 1963, when both sides were locked in polemics.

In the article Stalin was regarded as a great proletarian revolutionary whose achievements were primary and whose mistakes were secondary. For a long time Stalin was described by some Chinese leaders as a man who was 70 percent right and 30 percent wrong. This once prevailing assessment, however, is now being challenged by many Sovietologists.

"I don't think the 70-30 assessment for Stalin can hold water. His mistakes are very serious," said Wang Zhengquan, an associate professor and Sovietologist at the Chinese People's University. Stalin, he said, had discredited world socialism by committing so many crimes and mistakes.

"In my opinion, Stalin's good and bad sides are 50-50" said Wang.

According to Wu Renzhang, most Soviet researchers disagree on the 70-30 assessment and he himself doesn't think it proper to evaluate one's merits and demerits by mathematical expression. Wu added that people should study Stalin's achievements and mistakes before they reach a conclusion.

For researchers and common people alike, there seem no more achievements that can be listed, because, as Wang pointed out, people have already spoken out all the good words for Stalin, while criticism appears to just start.

Last month a symposium of the Stalin-issue in Nanning, Guangxi, the first meeting of its kind in China, concluded with most of its participants taking a negative view towards Stalin. Nobody tried to defend him, added Wang.

Some condemned Stalin for his dishonesty, his political treachery of using certain leaders to attack others, then jumping on those he just used. Such actions continued until Stalin had destroyed almost all the old Bolshevik leaders.

In economics, the Stalin pattern featured high centralization that robbed socialism of its democratic dynamism. It is a disease that China's current reforms are still wrestling to rid the nation of.

Though China's Sovietologists have different views on whether the pattern was necessary and right during the Stalin time, they all consider that the pattern is useless for China's development.

"Stalinism's only role today is to be the negative example of what not to do," said Wu.

Stalin had been treated as the official interpreter of Marxism-Leninism. Few now believe that.

It's hard to put an equal sign between Marxism and Stalinism, one a school of the former, said Wang. He said some old Bolsheviks persecuted by Stalin, such as Nikolay Bukharin, were nearer to Marxism than Stalin. "Bukharin's line was obviously more correct than Stalin's," stated Wang.

Meanwhile, Nikita Khrushchev, who was labelled as "a ringleader of modern revisionism" by the Chinese in 1960's and 1970's, is now enjoying a modest boost in popularity in the country. Khrushchev's negative view on Stalin is echoed here, but his foreign policy of great-nation chauvinism to China still makes Chinese uncomfortable.

Commentator Views Origins of May 4th Movement
OW1305101389 Beijing GUANGMING RIBAO
in Chinese 3 May 89 pp 1, 4

[Commentator's article: "The Road and Mission for Chinese Intellectuals—on the 70th Anniversary of the May 4th Movement"]

[Text] The May 4th Movement 70 years ago was a great patriotic movement directed against imperialism, a mighty movement that advocated new culture and opposed feudalism, and a magnificent movement unfolded by intellectuals. Chinese intellectuals have been closely related to the destiny of our country and nation throughout the past 70 years. In our celebration of the 70th anniversary of the May 4th Movement today, looking back on the course taken by Chinese intellectuals has important practical significance for us to inherit and carry forward the traditions of the May 4th Movement and more conscientiously shoulder the great historical mission of reform, opening to the outside world, and building a modernized socialism to make China become strong and powerful.

"The May 4th Movement"—A Symbol That Marks the Initial Formation of the Colony of a New Type of Chinese Intellectual

There were several struggles waged against imperialism and feudalism during the period between the Opium War [1840-1842] and the May 4th Movement [of 1919]. Though they were led by intellectuals, the main force of these struggles was not composed of intellectuals. Only the May 4th Movement was truly launched by intellectuals waging a struggle against imperialism and feudalism and had their participation as the main body. "The May 4th Movement" was a symbol that marked the initial formation of a colony of a new type of Chinese intellectuals.

The colony of Chinese intellectuals during the period of the "May 4th Movement" was of a new type. Its distinctive characteristic was shown in the fact that it came into being after the commodity economy and capitalism had enjoyed development to certain extent in China in modern times. China is a country that had been ruled by feudalism for thousands of years, and, as such, the self-sufficient natural economy had always taken a dominant position. Though there were a number of intellectuals who were called "shi" [a social stratum that is characterized by scholarly attainments and ranks between senior officials and the common people in ancient China] during the reign of every dynasty in the past, it was impossible for them to form a colony because they were scattered all over the urban and rural areas and because they lived in seclusion and isolated themselves from others. However, as foreign capitalist economic power gradually penetrated into this land of China with its ancient civilizations, the Chinese capitalist element, which sprouted in the middle of the Ming Dynasty, enjoyed development to a certain extent before and after

the "May 4th Movement," and the level of commodity economy was also raised. It had profound and far-reaching influence over both society and intellectuals in China. On the one hand, capitalism and commodity economy needed the services of science and qualified personnel, thereby objectively creating a situation that prompted the emergence of a new type of intellectual. On the other hand, the development of capitalism and commodity economy actually did bring up a large number of a new type of intellectuals who were fundamentally different from the "shi" of feudal society.

The colony of intellectuals during the period of the "May 4th Movement" was of a new type. Another of its distinctive characteristics was shown in the fact that, in the sphere of culture, it was a product after the abolition of the imperial examination system, the institution of education by running schools, and the dispatch of a large number of students to pursue advanced studies abroad. As everyone knows, all through the ages, the shi and Confucian scholars in feudal society were basically characterized by applying themselves to studying The Four Books [The Great Learning, the Doctrine of the Mean, the Analects of Confucius and Mencius] and the Five Classics [the Book of Songs, the Book of History, the Book of Changes, the Book of Rites, and the Spring and Autumn Annals] and composing the eight-part essay [a literary composition prescribed for the imperial civil service examinations] to meet the challenge of imperial examinations (especially during the later period of feudal society). However, after the imperial examination system was abolished and school education was instituted toward the end of Qing Dynasty, a new type of school that aimed at teaching modern scientific and cultural knowledge gradually increased in number and began to develop. Prior to the "May 4th Movement," in China, nearly 10 million people received education from the new type of primary schools; over 100,000 people were educated at middle schools; and tens of thousands of people were educated at institutions of higher learning. It was thus obvious that the new type of education had enjoyed considerable development at that time. New educational form, new subject matter for education, and new structure of knowledge were bound to foster and train intellectuals that embraced new criteria for judgment of value and new ideological concepts.

Why the colony of intellectuals during the period of the May 4th Movement was of a new type was also shown in the distinctive way that they emancipated the mind, were bold in exploring new ways, and fearlessly smashed various bonds. The "shi" and Confucian scholars in feudal society had always confined themselves to the doctrines of Confucius and Mencius for thousands of years. What was so valuable and praiseworthy about intellectuals during the period of the "May 4th Movement" lay in the fact that they refused to be constrained by traditional doctrines, defied power and authority, and launched fierce attacks on the spiritual pillars of feudal society. A multitude of schools of thought and doctrines prevailed among intellectuals in China in a disorderly

and unsystematic manner at that time. There were people who spread and believed in pragmatism, anarchism, socialism, syndicalism, romanticism, the theory of evolution, democracy, nationalism, Marxism, and the philosophy and social trend of thought advocated by Bergson, Nietzsche, and Russell. This phenomenon reflected in a striking manner the arduous exploration conducted by a generation of new type of intellectuals in their quest for truths to save China and its people. After repeated explorations and comparisons, a few leaders of and active participants in the new cultural movement who were originally bent on awakening the masses by spreading freedom and democracy of the West and by the enlightenment finally accepted Marxism. Thenceforth, they made preparations in the areas of ideology and cadres for the founding of the [CPC]. This was the most important achievement scored by the "May 4th Movement."

When we say that the intellectuals during the period of the "May 4th Movement" were of a new type, we do not mean that they were new in every respect. Due to historical links and the influence of traditional culture, it was inevitable that they still retained vestiges of the "shi" and Confucian scholars of feudal society in their ways of thinking, concepts of value, and subconsciousness. However, a generation of new type of Chinese intellectuals took its initial shape after all. Since the colony had been initially formed, it belonged to the future, not the past, of Chinese society. It was the social changes in China that brought up this generation of a new type of intellectuals. Once the colony was formed, it would inevitably make vigorous efforts to give impetus to China's social changes in return. The May 4th Movement, which was characterized by a combination of the new cultural movement that waged a thorough struggle against feudalism and the patriotic movement that waged a thorough combat against imperialism to save China from extinction, was the first conscientious action taken by the colony of a new type of intellectuals in a bid to transform Chinese society.

Chinese Intellectuals Who Were Making Progress Along a Tortuous Road

The colony of a new type of intellectuals that took its initial shape during the period of the "May 4th Movement" traveled a road full of difficulties, obstacles, and glory in its development later on.

To save the country and the nation from the danger of being wiped off the face of the earth, after their appearance on the stage of history, Chinese intellectuals confronted their first great historical event, namely, the long-term people's revolutionary war. In the course of this extremely difficult war, a large number of intellectuals were attracted to directly join the ranks to fight for revolution because the CPC was clearly aware that it would be impossible to gain victory for the revolution without the participation of intellectuals and drew up a series of policies which were designed to win the support

of intellectuals and unite them. They took part in campaigns all over the country and gradually became organizers and leaders of the People's Army. Some of them hid in the White Areas [the Kuomintang-controlled areas during the second revolutionary civil war from 1927 to 1937], which were strictly controlled by the enemies, traveled among various revolutionary bases scattered in the vast expanse of rural areas to do publicity work among the masses and mobilize and organize them, and provided effective coordination for the revolutionary war. The undertakings of those intellectuals who cherished the ideals of "saving the country through science, education, and running enterprises" were, fundamentally speaking, patriotic and helpful for the social progress, though they did not directly dedicate themselves to revolution. A great number of people among them were democratic fighters that rose to fight against reactionary forces and aggression by foreign powers at the juncture when revolution was at a crucial stage.

Because of a particular road followed by the Chinese Revolution, those intellectuals who joined the revolutionary ranks of course had their contradictions and agonies; at the same time, they tempered themselves in the struggle. They made sacrifices and were virtually glad to do so. Practice shows that Chinese intellectuals made outstanding contributions in the protracted revolutionary struggle and war, which will go down in history as a glorious page.

However, precisely because of the environment characterized by the revolutionary war and rural base areas, the then intellectuals applied their knowledge mainly to solving questions concerning the revolution and war. At that time, there was no need or conditions for them to do extensive research in various scientific and cultural spheres. The knowledge of science and culture that the intellectuals had already acquired was laid aside or put to no use. The unique characteristics of the Chinese Revolution were apt to confine people to a given field of vision and made it impossible for intellectuals to play a conspicuous major role. For example, there was a thesis that many intellectuals were actually rather ignorant and that workers and peasants were sometimes more knowledgeable than the intellectuals. Both the knowledge of workers and peasants and that of intellectuals are knowledge, but the former is basically experiences and skills, while the latter is scientific knowledge, the generalization and summing-up of their predecessors' experiences. So the knowledge of workers and peasants and that of intellectuals are at two different levels and cannot be compared simplistically. Of course, such comparison during the war years was understandable and played a certain role. Generally speaking, however, such comparison downgraded the intellectuals' role, affected the development of the intellectual ranks, and was not conducive to raising the scientific and cultural levels of workers and peasants.

The birth of New China was a major turning point in Chinese history as well as in the destiny of Chinese intellectuals. This turning point made prerequisites

available for Chinese intellectuals to bring their role and abilities into full play. Thus, they were able to openly engage in what they wanted to do. In the early days after the founding of the PRC, the CPC paid rather close attention to intellectuals and created conditions for them in work and daily life. Therefore, in those days, intellectuals had ease of mind, were high-spirited and vigorous, and worked energetically in various fields of construction. They made tremendous contributions in economic, scientific, educational, cultural, and other fields. Chinese nationals residing in foreign countries also returned to the country one after another to bring their talents into full play.

However, due to the fact that the transition from revolution to construction was not timely in taking place and that "taking class struggle as the key link" was continued following the completion of the revolutionary tasks in the main, a certain biased attitude toward intellectuals during the revolutionary war period again emerged. Closely linked to "leftist" mistakes in our party's guiding ideology, this biased attitude resulted in a great mistake in our policy making. In 1957, intellectuals were generally classified as the "bourgeoisie." As a result, intellectuals became the antithesis of the proletariat in terms of class nature. In 1958, intellectuals were forced to "take part in manual labor" and were considered targets for ideological remolding. At the same time, it was generally said that the so-called people with knowledge were actually the most ignorant. This was said to "lash the intellectuals." During the "Great Cultural Revolution," the above-mentioned policy and slogan further developed in a vicious manner, and the intellectuals were attacked and persecuted to the extreme. It is quite apparent that overlooking the problem of having a biased attitude toward the intellectuals during the war years, the failure in setting things right and correcting this mistake, and the further development of this erroneous attitude were the main reasons of our major mistakes toward the intellectuals after the founding of New China.

China's intellectuals are a very good contingent of people. They have pure minds, are loyal to their country, have carried out important missions despite enduring humiliation, and possess the outstanding character of sacrificing their own interests for the sake of others. Even during the long period from 1957 to 1978, they still did not give up their own work under the extremely difficult situation. They kept up their professional work and studies. They silently made their contributions to the country and worked hard to make progress, although their efforts were not appreciated by others and they were ruthlessly attacked and persecuted. It was precisely because our country had such a large number of outstanding intellectuals, our country still made progress in scientific work to a certain extent in spite of the fact that "leftist" ideology occupied the leading position during that period. The intellectuals still developed atomic bombs, detonated hydrogen bombs and sent satellites to the sky. Various countries in the world looked at China

with new eyes because of their achievements. Our educational, cultural, sports, and public health work still developed to a certain degree.

However, those achievements were, after all, made by the broad masses of intellectuals while they were being oppressed and tortured ideologically and mentally. Had the broad masses of intellectuals not been considered as alien-class elements, had they been regarded as the masters of the country, and had they been allowed to decide their own destiny, wouldn't their achievements have been much greater?

The Decade of Reform Has Ushered in a New Historical Era for the Colony of Chinese Intellectuals

The 3d Plenary Session of the 11th CPC Central Committee finally brought to an end the tortuous course of advance of the Chinese intellectuals. Hence, a new chapter was opened in the history of Chinese ideas and culture, and a brand new historical era, the great era of making reforms, opening to the outside world, and building a modern country was ushered in for the colony of Chinese intellectuals.

The past decade has been a decade of courageous advance under CPC leadership. Through eliminating chaos and restoring order, the intellectuals have become a dependable force for socialism in the past 10 years. Through penetrating reflection, the CPC has finally recognized the objective fact of science and technology being a productive force, or the primary productive force of the contemporary world; it has also recognized the serious harm done by "leftist" errors to China's educational undertaking and has defined education as the basic guiding ideology. We may as well say that all of these have created the overall favorable conditions and ample opportunities for the development of the colony of Chinese intellectuals, as well as the economic, scientific, educational, and cultural undertakings. That the Chinese intellectuals have been able to work assiduously and conscientiously under relatively difficult working conditions and continuously enhance their awareness of the colony under the past 10 years is inseparable from the fundamental change in the series of guiding principles.

Over the past decade, China has made remarkable achievements as well as errors in various aspects, including certain errors on the question of intellectuals.

A major manifestation of our errors on the question of intellectuals is the lack of necessary material foundations for intellectual production. An extensive review of the various facets and fronts of life in China will show a peculiar scene, that is, localities where knowledge and intellectuals cluster are often faced with economic difficulties. Of course, such departments, compared with the economic departments in general, made a late start and achieved slow progress in the reform. Therefore, much remains to be done in the work of decentralization of

these departments. However, in considering the development strategy and deciding on the investment direction, was such departments' importance ever taken into account? Certain basic conditions are needed for intellectuals to turn out intellectual products. When such basic conditions affect their normal work, how is it possible to fire their enthusiasm?

Another major manifestation of errors on the question of intellectuals is the low remuneration of intellectuals and negligence of knowledge. People today take or leave a certain profession or product (including material and intellectual products) according to society's evaluation of the profession or product. In the absence of a reasonable evaluation of knowledge—intellectual products—and in view of its falling value, how can such a profession and product become appealing and competitive? Small wonder, a new "theory on the uselessness of books" has emerged.

Then, are the above cited only isolated instances, or are they problems caused by unfair distribution of income? They should not be treated either way summarily. First of all, such phenomena are related to people's narrow interpretation of modernization. In the practical work, as we can see, people often interpret modernization simply as industrialization, or purely the growth of economic index, without understanding the meaning of a comprehensive modernization in the economic, political, social, educational, scientific, and cultural fields. In this way, the role of scientific management and technological progress in developing the economy and of education in training modern quality people is underestimated, still more the value of knowledge and intellectuals underestimated. Second, such phenomena have to do with people's misunderstanding of the needs of science and other knowledge in the early stage of developing the commodity economy. China is still in the primary stage of developing a commodity economy. On the one hand, as certain sectors of the vast rural and urban areas are only in the beginning of transforming to the commodity economy, producers and managers can generally rely on experience, "boldness", or even "connections" to obtain benefit, and even people who cannot read become well off quickly. On the other hand, with an incomplete mechanism of market competition in the initial stage of transforming the product economy into the commodity economy, state enterprises in cities can still operate under the system of extensive management through relying on massive consumption of manpower and material resources, or even obtain above-the-quota profit through certain loopholes during the transition from the old to the new system. The existence of such phenomena itself is apt to create shortsightedness among people who would believe that science and other knowledge, especially intellectuals with advanced science and other knowledge, are not necessary for developing a commodity economy.

It should be pointed out that the predicament facing the contingent of Chinese intellectuals in fact reflects the dislocation between the specific measures and general

policy on the question of intellectuals. As a matter of fact, we have long called for respecting knowledge and intellectuals. The 12th and 13th CPC National Congresses explicitly attached strategic importance and gave top priority to education and science. However, due to errors in the practical work, these principles have not been thoroughly implemented.

We are delighted to note that the party Central Committee has launched efforts to solve the problems, and a series of concrete policy measures are being worked out in this regard. We are convinced that as long as the party's general policy toward intellectuals is upheld and implemented, the predicament facing Chinese intellectuals will gradually disappear, and a social atmosphere of respecting knowledge and intellectuals will be formed.

The Historical Mission of the Contemporary Chinese Intellectuals

To "regard the country's destiny as their own" has long been a fine tradition of Chinese intellectuals. Holding aloft the banners of "science" and "democracy" during the great "May 4th" Movement, focused on national salvation and enlightenment, the intellectuals launched vehement attacks on ignorance and superstition, feudalism, and autocracy. Carrying forward this tradition under extremely harsh conditions during the revolutionary war, the intellectuals waged an uncompromising struggle against the reactionary forces at home and abroad and for the national independence and people's liberation. After the founding of New China, they displayed tradition and devoted themselves to work in various fields to get the country out of poverty and backwardness as soon as possible. Today, our country has ushered in a new historical era, which has put forth the tasks of upholding the four cardinal principles, persisting in making reforms and opening to the outside world, accomplishing national modernization, and striving to build socialism with Chinese characteristics. Confronted with this new historical mission, the Chinese intellectuals are obligated to advance courageously in the following aspects.

First of all, Chinese intellectuals should actively promote the scientific spirit, gradually permeate it into the innermost thinking of cadres at all levels and the masses of people, and transform the spirit into their intrinsic awareness of science. There are two components in this spirit: First, it is necessary to attach great importance to and respect science and strive to develop scientific undertakings in China for gradually closing its gap with the developed countries. Second, it is necessary to earnestly develop the truth-seeking spirit of reasoning and integrate it into our national spirit. Science and technology are often manifested in a certain kind of concrete matter or product (both material and intellectual), while a scientific approach and awareness is an intrinsic spirit. Our nation needs not only the former, still more the latter for perceiving and handling problems with a scientific approach. Needless to say, it is an arduous task to

integrate the scientific spirit into every facet of our national spirit. However, entrusted by history, the Chinese intellectuals have an unshirkable duty to carry out this momentous task, and they are clearly aware that a nation devoid of scientific spirit is incapable of accomplishing modernization.

Second, Chinese intellectuals should actively promote the development of commodity economy, conscientiously foster a commodity awareness, and strive to establish a new order of socialist commodity economy. Under a given condition, modernization means the process of promoting science and democracy under the precondition of a highly developed commodity economy. In the course of developing the commodity economy in China, knowledge and intellectuals are indispensable for exercising macroeconomic regulation and control, as well as for improving the operations and exercising scientific management in enterprises. We may anticipate that along with the development from low-level to high-level commodity economy in China, there will certainly be a growing need for more advanced knowledge and higher caliber intellectuals. In recent years, a number of intellectuals have boldly taken up posts at enterprises, while quite a few entrepreneurs have also undergone formal training. They will become China's first generation entrepreneurs and managers genuinely well versed in management and operations and possessing advanced knowledge. This is something we can expect.

Third, Chinese intellectuals should actively promote the construction of a democratic government and energetically publicize the spirit of democracy. Democracy has dual contents, i.e., extrinsic and intrinsic democracy. The former is referred to as what we generally call the democratic government while the latter is referred to as the democratic spirit. The socialist system in China has offered ample possibilities for the masses of people to practice democracy. Admittedly, however, due to long negligence in the construction of the procedures of democracy, the Chinese people actually enjoy rather limited democratic rights. Of course, the construction of democracy is a prolonged and gradual process that should be advanced under the party's leadership, under a stable environment, and in an orderly and active manner. The democratic spirit should be an intrinsic spirit in the innermost thinking of people, and it should be an awareness for democracy. It is manifested in the conscientious pursuit of political equality and the initiative to take part in political affairs, as well as in the earnest observation of democratic rules and procedures. If we say that the Chinese people today are relatively unfamiliar with a democratic government, they are even more unfamiliar with the democratic spirit and awareness. In the course of building a democratic government in China, the intellectuals have plenty of opportunities to display their talent. They may play the role of "consultant" or "think tank" for leaders at different levels by using their knowledge in suggesting all kinds of programs, plans, and measures for further improving the

democratic procedures. As for education and training in the democratic spirit among all citizens, it is an even more gigantic systems engineering project requiring greater efforts on the part of intellectuals.

Fourth, it is necessary to raise the quality of the whole nation, train a new generation of people meeting the needs of modernization, and develop the educational undertaking in China. The human factor, or the quality of people, is most crucial to the modernization drive. What is the quality of the Chinese people? According to statistics, of the 1.1 billion Chinese population, one quarter are either illiterate or semi-illiterate; the average length of schooling is less than 5 years; nearly half of the population between 15 and 19 years old do not have junior middle school education; and in 1987, people with a college education constituted only 0.88 percent of the population. Such being the quality of the nation, it is impossible to accomplish modernization. Therefore, the Chinese intellectuals have an unshirkable duty to promote the educational undertaking, exerting themselves to raise the quality of the Chinese nation. Since we have already clarified that the aim and functions of education are not only to serve the economy but also to raise the quality of the whole nation, we should reform the contents and methods of education. It is necessary to do away with the one-sided views and practices of simply imparting knowledge on students and teaching them how to deal with examinations for advancing to the next level of schools, and to attach a greater importance to the training in ideology and morality, ways of thinking, mental structure, ability to think, technical skills, and even skills for living, so that the students can develop in an all-around manner. Youth is the symbol of our nation's future. The success or failure of the current education has a vital bearing on our nation's destiny in the next century. Only by raising the quality of the whole nation through promoting education can we build up China's "comprehensive national strength" and find a firm footing in international competition in the next century. The intellectuals on the educational front should shoulder this glorious but arduous responsibility.

It takes 7 decades from the formation to the maturity of the colony of the new type of Chinese intellectuals. The overwhelming majority of the present colony of intellectuals have grown to maturity under the socialist system and the education and training by the CPC over the past 4 decades since the founding of the country. They ardently love the socialist motherland and are a major leading force in China's socialist construction. In shouldering the historical mission in the new period, the intellectuals should inherit and carry forward the fine tradition of the May 4th Movement, uphold the scientific truth of Marxism, and, displaying the spirit of dedicating themselves to the country and the people, work assiduously and advance courageously in contributing their talent and strength to fulfilling the historical task, put forth by the CPC, of building a modern, highly civilized, democratic socialist country.

NPC Standing Committee Agenda Announced
HK1505121289 Beijing RENMIN RIBAO in Chinese
13 May 89 p 1

[*"The Agenda of the Eighth Session of the NPC Standing Committee Enjoys Popular Support"*—RENMIN RIBAO headline]

[Text] Beijing, 12 May—The announcement of the report that the meeting of the chairmen of the People's Congress standing committees has decided to hold the eighth session of the National People's Congress [NPC] Standing Committee has arrested the attention and been warmly welcomed by people in various circles.

Reporters of this newspaper interviewed people in some universities, factories, and government organs. Many interviewees said: The agenda of the next NPC Standing Committee's session will include listening to the report on consolidating and rectifying companies, listening to the report on the students' demonstration and classroom boycott, examining and approving the motion on the "PRC law on assembly and demonstration" (draft), and listening to the report on the drafting of the press law. All these are current hot issues to which the broad masses of people have been paying attention to. The meeting of the chairmen of the People's Congress standing committees has proposed that these hot topics be directly included in the agenda of the meeting of the organ of state power through legal procedure. This proposal is really good and has enjoyed the support of the people and public opinion. Many interviewees told our reporters: The session of the NPC Standing Committee will be held around 20 June. The agenda is fixed 40 days in advance. This is truly good. This has enabled the NPC Standing Committee to have ample time to carry out investigations and studies and to listen to the opinions of the masses and legal experts.

Some young teachers of Beijing Teachers' University stressed: This agenda has covered some very important and rational demands put forth by young students in recent days, and included the settlement of these problems in the track of democracy and legal system. The rapid and prompt action taken by the meeting of the chairmen of the People's Congress standing committees has shown that the party and the public are closely linked with the broad masses of young students. This is a pioneering undertaking and a matter of primary importance in our country's political life.

On the campus of Beijing University, a student told our reporters: The meeting of the chairmen of People's Congress standing committees has officially included students' demands in the agenda of the supreme organ of state power. This conforms with our desires, and I resolutely support it. This has reflected that the highest leadership stratum of the party and the state has sincerity in solving the problems to which the public has paid their general attention. In the past, I and schoolmates around me did not pay too much attention to the

activities of the NPC Standing Committee. Now, we feel happy after listening to the broadcast. My schoolmates said: The NPC Standing Committee is truly like an organ of state power. In our eyes, its prestige has been enhanced. A worker told our reporters: I sympathize with the demand of students. I also hope that we can truly and solidly solve some problems. Now, since the NPC Standing Committee has decided to examine and discuss these problems, I hope that young students will keep calm and exercise restraint, and that they will create a good and harmonious atmosphere for solving these problems smoothly. I think that we should soberly and rationally treat important issues related with the fate and prospects of our country. This is the most important problem now.

Committee To Meet 'Around' 20 Jun

OW1405131889 Beijing Domestic Service
in Mandarin 0930 GMT 11 May 89

[From the "National Hookup" program]

[Text] According to XINHUA, Wan Li, chairman of the NPC Standing Committee, called and chaired a meeting of vice chairmen of the NPC Standing Committee yesterday afternoon to discuss issues concerning the convening of the Eighth Session of the Seventh NPC Standing Committee.

The meeting decided that the session will take place in Beijing around 20 June and will last about a week.

The meeting proposed that the forthcoming session hear reports on liquidating and consolidating corporations and on students' demonstrations and strikes; deliberate on the State Council's request for examining the draft PRC law governing assembly, parades, and demonstrations; hear a report on drafting the press law; examine a draft decision about the time for electing deputies to the county and township people's congresses; and hear a report on the state's 1988 final account.

Vice chairmen of the NPC Standing Committee present at the meeting yesterday were Xi Zhongxun, Peng Chong, Zhu Xuefan, Ngapoi Ngawang Jigmei, Seypidin Aizezi, Zhou Gucheng, Ye Fei, Liao Hansheng, Sun Qimeng, and Wang Hanbin.

Government Circular Requests Honoring Martyrs

HK1205154489 Beijing RENMIN RIBAO in Chinese
10 May 89 p 2

[Dispatch: "CPC Propaganda Department, Civil Affairs Ministry and Other Departments Plan for National Anniversary—To Honor Martyrs, Support the Army and Give Preferential Treatment to Families of Revolutionary Armymen"]

[Text] Beijing, May 9 (XINHUA)—The Propaganda Department of the CPC Central Committee, Civil Affairs Ministry and other departments have recently

required localities to launch, on the eve of celebrating the 40th anniversary of the founding of the nation, in an enthusiastic manner the activities of honoring martyrs, to grasp well the work of supporting the Army and giving preferential treatment to the families of revolutionary soldiers, this for the purpose of inheriting and developing the revolutionary tradition, advancing reform and the building of the two civilizations.

The notice of requirement, jointly issued by the Propaganda Department of the CPC Central Committee, Civil Affairs Ministry, All-China Federation of Trade Unions, the Central Committee of the Communist Youth League and All-China Women's Federation, required localities to integrate the propaganda work for the 40th anniversary of the founding of the nation, to vigorously propagate the contributions and spirit of sacrifice made by the People's Liberation Army [PLA] for the founding, defense and building of the new socialist China, to highlight the historical merits in the founding of the republic, their new contribution in advancing reform and building the two civilizations, of families of revolutionary soldiers, to spread the propaganda that unity between the Army and the people is one important guarantee in scoring the results of revolution and construction.

The notice says, localities should make use of specific local conditions, organize the masses and youths and adolescents to launch various forms of activities to commemorate revolutionary martyrs, to make condolences to the families of revolutionary soldiers, wounded and handicapped servicemen, to border-stationed and coastal PLA commanders and soldiers, and the armed police force.

Survey Reveals Public Concern for Safety

OW1305010589 Beijing XINHUA in English
1418 GMT 10 May 89

[Text] Beijing, May 10 (XINHUA)—A recent national survey has revealed that the issues of personal safety and public security have become major concerns of urban Chinese citizens.

A spokesman for the Ministry of Public Security said the survey was conducted among 15,000 urban residents in 15 provinces, autonomous regions, and municipalities by the ministry's Public Security Research Institute.

A total of 6,510 (or 43.7 percent) of the respondents rank the issue of public security as second in importance only to rising prices.

As to personal safety, 5,724 (or 38.4 percent) said that they no longer "feel safe" on city streets and only 1,172 felt that personal safety was not a real problem.

City dwellers worry mainly about the possibility of theft, followed by murder, injury, and robbery with violence, the unidentified official said.

The survey also reveals that 49.1 percent of the respondents are afraid to walk alone at night.

And while 85.2 percent expressed their willingness to assist in a fight against criminals, only 52.8 percent said they were willing to appear in court as a witness.

The spokesman said most residents who responded to the survey urged public security departments to crack down harder on thugs and hooligans and 59 percent considered the government "too lenient" to criminals.

Officials Meet Cultural Relics Workers

OW1305013089 Beijing Domestic Service
in Mandarin 2130 GMT 6 May 89

[Text] Hu Qili, Li Tieying, Rui Xingwen, Wang Zhen, Fang Yi, Zhou Gucheng and other leading comrades yesterday met with all representatives attending the national conference on work related to historical relics. After the meeting, Li Tieying held a discussion meeting with some of the representatives on how to preserve and make use of historical relics, train people for the handling of relics, and the organization of units in charge of them.

Economic & Agricultural

Chen Muhua Stresses Role of Monetary Departments

HK1505013789 Kunming Yunnan Provincial Service
in Mandarin 1200 GMT 14 May 89

[Text] Chen Muhua, vice chairman of the National People's Congress [NPC] Standing Committee and chairman of the NPC Financial and Economic Committee, is currently inspecting work in Kunming. She went to the provincial people's bank yesterday morning to hold a forum with responsible comrades of the province's monetary departments.

She stressed during the forum: The monetary departments at all levels shoulder an important responsibility in stabilizing the economy and the money supply. Bank work will be able to tide over difficulties and promote the steady and coordinated development of the economy amid retrenchment by improving service, readjusting the structure, and tapping potentials.

Government Not Happy Concerning Foreign Trade

HK1505073689 Beijing CHINA DAILY in English
15 May 89 p 2

[By staff reporter Yuan Zhou]

[Text] Government officials are not happy about China's foreign trade performance so far this year. Imports continue to grow at a faster rate than exports.

Government spokesman Yuan Mu acknowledged last week the situation was unfavourable and suggested tight money, rising costs of raw materials and poor management were all factors.

April's exports were 1.03 percent lower than the month last year while imports were up 34.59 percent, according to the General Administration of Customs.

In the first four months of this year, China accumulated a trade deficit of \$3.75 billion, more than triple for the corresponding period last year.

Exports totalled \$13.6 billion and imports, \$17.3 billion. Exports increased by only 6 percent over the four months last year while imports rose by 25.4 percent.

Exports of grain, fruits, cotton, copper and aluminium were all down as were other traditional items.

There was a significant increase in imports of synthetic fibres, household refrigerators, air-conditioners, VCRs and cameras.

Imports of cars—despite a severe curtailment instituted by the state last month—were 128.5 percent higher, with 14,552 vehicles brought into the country in the first four months.

China chalked up deficits with its major trading partners, including Japan, EC countries, United States, and ASEAN countries in the period. In trade with these countries, the increase in imports also outpaced that in exports.

Hong Kong, the biggest trading partner of the Chinese mainland, was an exception. During the four-month period, the mainland exported goods worth \$5.7 billion, providing a trade surplus of \$2.2 billion.

A major development in the period was a soaring growth in trade between China and South Korea.

China's exports to South Korea were worth \$83.7 million—103 times more than the same period last year. Imports were worth \$128.5 million, up 6.7 times.

Trade with the Soviet Union was also greater with China's exports worth \$401.3 million, up 39.5 percent, and imports at \$655.49 million, up 163.19 percent.

Bank Official Interviewed on Banking Scheme

HK1505073289 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 15 May 89 p 1, 4

[By staff reporter Liu Hong]

[Text] Growing trade abroad is leading the Bank of China even further into the outside world with a major expansion scheme. As the country's main bank for foreign-exchange and trade business, it is on the way to an even higher profile.

In a rare interview Li Yiming, the bank's vice-president, told BUSINESS WEEKLY of a three-pronged plan to achieve this.

It involves opening a branch in Canada; applying for permission to launch a wholly-owned subsidiary in Luxembourg; and a possible breakthrough in forging new financial ties with the Soviet Union and Eastern Europe, the 58-year-old veteran banker said.

These moves are taking place against the background of China's increasing involvement in international business, particularly the rapid building up of ventures overseas.

So far, China has established a total of 558 equity or contractual joint ventures and wholly-Chinese operated firms abroad, according to statistics from the Ministry of Foreign Economic Relations and Trade.

Song Haipeng, general manager of the bank's Overseas Branches Department said that the current economic retrenchment had led his bank to push for business expansion overseas.

But he said, "The chances for our bank to open a branch in Canada depend on a reciprocal arrangement for Canadian banks."

Song, who served as the bank's representative overseas for more than 15 years, pointed out that the lack of a capital market and laws governing financial business in China may pose as "a stumbling obstacle" for such an arrangement. At the moment, China has only opened its special economic zones for overseas banks to open branches. It is working hard to widen this opportunity for the banks. "When the time is ripe, we will open our arms to welcome them" Song said.

Li Yiming disclosed that his bank has already applied to the government of the Soviet Union for permission to establish a representative office in Moscow. This would be designed to act as a "bank teller's window" between China and the Soviet Union as both countries were undergoing financial reforms.

"I see no particular difficulties impeding this move," he said. This office would be the first of its kind ever set up in Moscow by China.

Both China and East European countries are undertaking economic reforms and adopting the policy of opening to the outside world, Song said, noting that the traditional barter trade between them had now become out-dated.

There was an increasing need for a banking service with the rapid development of bilateral trade and other economic co-operation between China and those countries, Song said.

Neither has Song's bank neglected business opportunities in Western Europe, but an actual move to push the bank's expansion there is not expected until the full establishment of the Common Market.

"We are doing a great deal of research on this issue," Song said.

The 70-year-old bank has been steadily expanding over the past decade but now this is picking up an even faster momentum.

Branches and offices have been opened in Tokyo, Sydney, Los Angeles, Paris, Frankfurt, Toronto and Panama over the past four years. These have added to existing ones in London, New York, Hong Kong, Macao, Osaka, Luxembourg and Singapore.

The bank's expansion overseas has, in turn, led to the rapid building up of its assets and business in the past 10 years. Its growth hit a record in 1988.

According to Song, the bank's net assets for business overseas has been registering an annual growth of 29 percent since 1978, its deposits an annual growth of 26 percent, lendings an annual growth of 33 percent, and pre-tax profits an annual growth of 36 percent.

The bank's annual report for 1988 showed that compared with 1987, net assets for business overseas grew by 40 percent to \$57 billion, deposits by 32 percent, lendings by 33 percent, and pre-tax profits by 62 percent.

With its net assets totalling 559.7 billion yuan (\$150.5 billion), the bank ranks 46th on the world rating list.

Equipped with a high-quality computer system, the bank has been dealing with all traditional international banking businesses including transactions concerning foreign exchanges, capital investment, gold and silver and extending loans, according to Song.

But the bank has held back from investing in stock exchange deals although it provides service as a brokerage, Song noted.

Article Discusses Inflation, Market System *OW1305121589 Beijing GUANGMING RIBAO* *in Chinese 29 Apr 89 p 3*

[Article by Fang Hanting (2075 3352 1694) and Song Ze (1345 0463): "Expedite the Reform of the Marketing System During Inflation"]

[Text] Where should reform be headed in the face of serious inflation and other economic disorders? We think that only by expediting the reform of the marketing system [shi chang hua kai ge 1579 1034 0553 2395 7245] can there be a better future.

The Market Should Not Be Faulted for Inflation

Serious inflation appeared as economic reform continued in 1988. Many people blamed the increase on market factors [shi chang yin su 1579 1034 0936 4790]. We do not deny this because, after a socialist country has

broken through the structure of a product economy and replaced it with market mechanisms of a commodity economy, it will in one way or another stimulate demand. Its original mild, hidden inflation will give way to relatively high, open inflation. However, this does not prove that the introduction of market mechanisms will inevitably cause a sudden eruption of high inflation. The real root cause that ignites and exacerbates inflation lies in the failure to replace mechanisms that control economic operation.

The 10-year reform in China can be roughly divided into two stages: the stage from 1979 through 1984 during which the "market was created by administrative measures;" and the ongoing stage which started in 1985. During this stage, the "market is subject to intervention by administrative departments." The first stage was basically a success. By 1984, the spontaneous reform of the marketing system in the rural areas had developed like a high tide surging toward the cities. Should we have expedited the process of applying market principles to the urban economy at that time, we would have dovetailed the urban and rural markets. We can imagine what sorts of results we would have achieved. However, during the gradual reform of the urban economy, the change of mechanisms gradually came to a standstill. We interfered in the process with administrative measures while introducing market mechanisms and letting the sensitivity of commodity prices play its roles. Consequently, both regulatory measures were ineffective. In many areas, our markets once had sufficient means to be able to operate normally and independently, but because of administrative interference, these markets withered instead of expanding. In 1984, for example, the state could have removed all its controls over the production of agricultural and sideline products and let the market regulate itself, but since market principles were not applied in handling the means of agricultural production and cities' industrial goods, the rural market remained a semimarket. The fact that the reform has not been very successful since 1985 can be ascribed to the fact that "the creation of a market by administrative measures" was not quickly replaced by a "market created by market forces."

Inflation is something generated by halting the development of market functions and the excessively long time needed for the "creation of the market by administrative measures." The standstill prompted individuals and groups to protect their own interests and let the state undertake risks when the change of market mechanisms stopped. As a result, large amounts of capital flowed into the hands of individuals and groups, rapidly inflating consumption and investment demands. A comprehensive market reform involves profits and risks, and both income and expenditure must be subject to control by the market itself. The measure caused the outflow of large amounts of state capital since it was legitimate for individuals and corporations to seek profits and avoid risks even though the market system was only partially established. The training of manpower in our country is still monopolized by administrative departments as

before. Because of administrative protection, our enterprises and institutions are unable to discharge their unnecessary personnel, totaling nearly 20 million people. This alone has cost the state nearly 40 billion yuan a year. Meanwhile, the state needs an investment of over 40 billion yuan since it must create jobs for 10 million workers each year. The fact that individuals and groups want to protect their interests and let the state undertake all the risks is also a root cause of inflated investment. Since they do not have to undertake any risks, all provinces, municipalities, counties, and townships have competed for construction projects, rapidly inflating the total amount of investment. The total investment in construction projects reached 1,300 billion yuan while the GNP was 1,285.3 billion in 1988. The state had to increase its expenditures because of the mammoth investment.

Can the Market Heal the Wounds Caused by Inflation?

While the market is not to be blamed for inflation, an issue that people may be interested in is whether expediting the application of market principles can control inflation and bring about a beneficial cycle in economic development and economic reform. We believe that strengthening market forces during serious inflation is a relatively better option which may provide a way out of the predicament.

There are now three options in front of us: First, to completely restore the traditional operation controlled by administrative departments; second, to maintain the status quo and put market reform on hold until we have improved the economic environment; and third, to expedite market reform while inflation is still serious. While we must pay a price no matter which way we choose, the price we pay and the results will be vastly different. If we choose the first way, we may be able to control the serious inflation by means of the self-recovery capability of the traditional system, but it will cost us the entire reform, and the result will be the ouster of market mechanisms from economic operation, and our economic development will again be bogged down by inefficiency. This is unacceptable because it resembles "throwing out the baby with the bath water."

If we choose the second way to control inflation and other relevant problems, the situation will not improve and will continue to deteriorate. This is because the generation and intensification of inflation are caused by a failure to replace the mechanisms governing economic operation, and when the existing pattern of profits distribution remains unchanged, all sorts of risks will be transferred to the state along the administrative system and all kinds of profits will be withheld by individuals and social groups. Consequently, the state's financial resources will be even tighter and even more serious inflation will result. This is to say that, despite the greater price, this way of controlling inflation will bring

about more serious inflation and more economic disorders, and not an environment favorable for market reform. If we try to reform the market at that time, the possibility of achieving success will be even less.

The third way also has the potential for achieving great success although it involves great risks. First, although expediting the application of market principles will intensify inflation for a short period, the mechanisms that cause the excessively long time needed for the "creation of the market by administrative measures" will disappear naturally. This is because after market forces have become the regulatory mechanisms, market activities will involve both profits and risks. The administrative foundation on which various groups and local authorities withhold their profits and let the state undertake all the risks will disappear. By this time, the momentum of the original inflation will lessen or even vanish. Second, by promoting the use of market forces, the state can shake off the subsidies—which are a heavy burden of the state—and can rationally use its limited financial resources. While shaking off the heavy burden, the state can also withdraw a large amount of money from circulation by commercializing housing construction, selling medium and small enterprises by auction, and promoting the stock and share system. Third, when market principles are applied, property ownership can be clearly defined, enterprise operation can be revitalized, total market supply will increase, and a portion of currency can be withdrawn from circulation. Fourth, during the process of controlling inflation, market forces can also eliminate administrative interference and the market can be reformed during the "control" and "eradication" processes.

How To Start the Market Forces Reform

To advance the reform to promote market forces at the present time when inflation is running high, we will have to pay a very high price. However, the price of the market forces reform is diametrically different from those of other types of reform as far as the timing, method, beneficiary, and results are concerned. The reform must be conducive to changing the mechanism of economic operation. We believe that in its initial stage, the market forces reform should concentrate on readjusting the structure of interest distribution to bring about a new structure in which "an industry which operates according to market forces will create conditions for another industry to operate according to market forces." Specifically, this primarily means the following:

1. In promoting market forces among products of the same category from the same industry, it is necessary to move from a situation in which these products operate loosely according to market forces to a situation in which they operate strictly according to market forces. In other words, it is necessary to use the liberal economic environment and market condition of the processing industry to remove the various subsidies offered to the enterprises so that high consumption, low efficiency,

substandard, duplicated processing enterprises will be eliminated and fine quality, low consumption, and high efficiency enterprises will expand through competition. In this connection, after the processing enterprises and their products have operated entirely according to market forces, control over the raw and semifinished material and energy enterprises must also be lifted without delay so that they can also operate according to market forces. To accomplish this, it is first necessary to subsidize the raw and semifinished material and energy enterprises with the money previously used to subsidize the processing enterprises so that the raw and semifinished material and energy enterprises can maintain a profit rate roughly equal to that they enjoyed before they began operating according to market forces. After a period, the state will then let these enterprises to operate independently without state subsidies.

2. In promoting market forces among products of different categories from different industries, it is necessary to begin from the highly developed industries and move toward less developed industries. Highly developed industries refer primarily to over extended industries. The reform in this regard consists mainly in eliminating the preferential treatment resulting from administrative protection, in order to eliminate low efficiency enterprises through fierce competition and to expand the remaining enterprises to the extent commensurate with the supply and demand structure of the entire industry. We believe that we should begin with the processing and circulation enterprises in creating conditions for other industries to operate according to market forces.

3. In advancing the process of developing the market of production elements, it is necessary to combine the readjustment of the interest distribution structure with the drive to "remove the hindrances." This consists of the following: 1) With regard to the market for the means of production, it refers primarily to the removal of preferential treatment given to the processing enterprises and other enterprises producing long-term oversupplied goods; 2) with regard to the money market, it refers primarily to the readjustment of the interest rates so that enterprises and banks alike will operate with restraint imposed by the risk; 3) with regard to the labor market, it refers primarily to the readjustment of the inverse relationship between pay and work complexity; and 4) with regard to the housing market, it refers to the development of a housing reform program as soon as possible under which the housing industry will operate according to market forces, the majority of the masses are able to purchase homes, and the revenue from home sales will be delivered to the state treasury, with a portion to be earmarked for housing construction.

4. There are also two goals in enterprise reform. One is to remove the hindrances, recover currency from circulation, and control inflation. The other is to make enterprises a genuine player in the market. To this end, we favor the thinking of privatization of key state-owned assets. There are two ways to realize this. One is based on

private ownership. This refers mainly to the fact that people desire to set up enterprises to make a fortune. By making use of this desire, we can sell a number of state-owned small and medium enterprises. This will help recover currency in circulation and privatize enterprise operation. Another method is based on ownership by legal entities. For the overwhelming majority of people in our country, only a small portion of their savings is used for investment. With the implementation of the shareholding system, enterprise share rights will become dispersed. As a result, the actual managerial rights and decisionmaking power of the enterprise will fall into the hands of the legal entity. In light of this, while pushing for the implementation of a shareholding system among a number of large and medium enterprises, we should allow them to merge freely and to break from the administrative structure. Neither an enterprise nor an entrepreneur has superiors. The status of an enterprise and entrepreneur is decided through market competition.

It is not difficult to understand that the way to promote market forces in the midst of inflation lies mainly in the idea of "using one industry which already operates according to market forces to create conditions for other industries to operate according to market forces." This is the easy way to tackle the difficult question. The idea will also help lay down, step by step, a new structure for the market economy in addition to its deflationary function.

Reform of Property, Shareholding Systems Viewed
HK1305060089 Beijing JINGJI CANKAO in Chinese
25 Apr 89 p 4

[Article by Guo Shuqing (6753 2885 3237): "Reform of the Property Rights System and Promotion of the Shareholding System in State Enterprises"]

[Text] Reform of the property right system cannot supersede other aspects of reform of the economic structure; merely changing the property right without changing the actual economic relations does not have any substantive significance. However, after 10 years of reform, major changes have taken place in all economic relations, but changes in the property rights system have markedly lagged behind, and the reform of property rights in certain fields will increase the possibility of speeding up other aspects of reform. Under these circumstances, accelerating reform of the property rights system has become a very urgent task. Advancing reform of the property rights system in an organized and planned way while improving the economic environment and rectifying the economic order will not have an unfavorable effect. On the contrary, it is an important condition to achieve the aim of improvement and rectification. What we should prevent, however, is the so-called reform of the property rights system without unified control, guidance, and coordination.

Establishing a Mixed Property Rights Pattern Suited to China's Economic Reality

The Chinese economy contains various economic organizations of very different technological levels and social environments. It runs counter to the objective reality to call for the adoption of a unified form of property rights. Ever since the reform has been implemented, we have raised a slogan calling for the coexistence of diversified economic sectors. In addition to the traditional public economy, we should rapidly develop various nonpublic economic forms. The property rights pattern of the economy as a whole has markedly changed. Practice has proven that our slogan is correct. However, the previous changes in property rights pattern have not had much effect on the traditional public economy, which is precisely the major field of reform of the property rights system.

What should we do to reform the traditional public economy?

According to some people, while preserving state or collective ownership, we should "separate ownership from the power of operations," contract for enterprises, or promote the shareholding system. Under the contract system, the original property rights remain unchanged; under the shareholding system, a certain proportion of the property rights would be shifted, but the state would still preserve the greatest or most substantial proportion of property rights. Some others, however, favor individual ownership or privatization. If individual ownership is defined as property rights directly held by individuals, it can only be summed up as privatization under the practical economic conditions. The two propositions are not without reason. However, in terms of general principle, both lack sufficient bases.

The economic theoretical studies that have been conducted and the practical experience that has been gained so far in the international community have proven that the performance of the state-owned economy is not good in most cases of trade or most of the time. But we should not draw a general conclusion from this: The state-owned economy is sure to lead to low efficiency. On the other hand, even Western economists universally acknowledge that the existing theories and experiences are far from proving that private or individual ownership of the economy is sure to create high efficiency. Even those who directly initiated the British privatization movement merely attributed their actions as "based on a certain belief" rather than on scientific and logical principles. More and more researchers have noticed that whether an ownership form of property rights is conducive to a good economic performance is determined not only by the natural technological features of the trade, but by many other social conditions as well. In short, economics is still incapable of proving that efficiency and property rights have a natural relationship; economics has only fully proved that efficiency and market competition have a natural relationship.

We can thus see that in reforming the property rights system of China's traditional public economy, we cannot proceed from the abstract and ordinary principles which are still hypotheses, but should adopt as our basic guiding principle the development of competition and improvement of efficiency under the practical conditions. After initially analyzing China's specific conditions, we have come to the following views:

1. With regard to departments under state control (chiefly the infrastructure, the public utilities departments, and some energy and raw material industries), the state's property rights should continuously be preserved, but should be operated as enterprises. The state should substitute specialized supervision for direct operations.

2. Reform the state financial system, dividing it into governmental financial system and nongovernmental financial system. The property rights of the former belongs to the government, while the property rights of the latter can be in various forms, such as shareholding companies, partnership, and cooperative enterprises.

3. Shift the property rights of processing and manufacturing industries from the state and develop enterprise groups, financial institutions, and public institutions, as well as shareholding companies in which residents hold shares on an individual basis. The composition of property rights owners in specific enterprises may have countless forms. In a small number of special trades, the state should preserve a certain proportion of shares.

4. Large and medium-sized enterprises engaging in commercial services should likewise adopt the shareholding system and the property rights of small enterprises (including especially small industrial enterprises) may be transferred with payment to other large and medium-sized enterprises or individual residents. In the latter circumstance, this can be regarded as for which there is an ample basis: evidence in all countries (including China) proves that small commercial or service units are most suitable for operation by households or individuals who will also undertake the risks.

5. The property rights of land ultimately belongs to the state. After becoming legitimate users, enterprises, institutions, and individuals (chiefly peasants) have the right to transfer land with payment in open land transaction markets which are operated by the state.

Adopt an Active, Prudent, Standardized, and Orderly Guiding Principle in Promoting the Shareholding System

The reform of the land property rights system has its special character and, therefore, should be discussed in another article. Except for this, the reform of the state property rights is chiefly the institution of the shareholding system.

The basic aim of promoting the shareholding system in state enterprises is to develop a new property rights restrictive mechanism. Therefore, we should not play for time by seeking perfection in every aspect. However, in light of the experiences and lessons drawn from the experiments in the shareholding system, we should prudently work out plans for the implementation of the shareholding system, and guard against rushing into mass action.

Instituting the shareholding system in state enterprises should and can be integrated with the reforms of the labor employment system and the welfare guarantee system of the state economy, with the newly developed financial system, and with the policy of increasing revenue and curbing consumption demand. In principle, the promotion of the shareholding system in state enterprises means that the state transfers the property rights to society with payment. Therefore, we should prohibit all activities which seek private gain at public expense. To support the newly established social insurance institutions, we can place a certain amount of rights under their administration. In essence, this is aimed at reducing the state financial burdens and therefore should not be regarded as a free gift. To speedily develop a situation whereby enterprises hold each other's stocks, we can also give certain preferential treatment to enterprises purchasing each other's stocks, but this should be kept within a certain limit. Local governments should not obtain stocks, because this is in contradiction with their functions and runs counter to our objectives. But the financial institutions set up by the local governments, such as the pension funds for local public servants, may own certain quantities of stocks according to a unified regulation. We should not establish "enterprise stocks," because the fact that enterprises have their own property rights means that they do not have clear-cut legal owners and, therefore, cannot undertake the risks. Moreover, this practice can easily lead to various abuses, such as "insider trading" and enterprises unlimitedly expanding their stocks. Neither should we allow the practice of gratuitously granting stocks to enterprise employees. Employees should also be subject to certain restrictions in purchasing the stocks of their own enterprises. With the exception of especially large enterprises, employees are generally not allowed to buy the stocks of their enterprises, because this does not help decentralize the risks. On the contrary, this will combine the employees' risks as laborers and as investors. Moreover, even in especially large enterprises, the employees should not be allowed to own an excessively high proportion of stocks. Otherwise, this will lead to people seeking maximum personal income (pay).

Income from the sales of stocks belongs to state finance. A portion will be used to establish a social insurance system and the rest will chiefly be used to establish a basic facilities construction fund to accelerate the development of communications, telecommunications, geological prospecting, and energy. This means that, while

giving up the property rights of competitive trades, the state has increased the property rights of monopoly departments. As a result, the total state assets may remain unchanged.

In working out the progress of the shareholding system, we should uphold the principle of carrying it out by stages, in groups, and one after another. Generally speaking, we should choose those trades having the highest competitive degree and those enterprises whose operational conditions are relatively good.

Formulate and Implement Feasible Operational Plans According to Practical Conditions

The specific plans for promoting the shareholding system should be meticulously studied and demonstrated. It is probably necessary to pay special attention to the following issues:

1. Set up the state assets management institutions to define the stocks and assess the stock values. As the legal representatives of state assets, the state assets management institutions should manage all state-owned assets. The future, principal functions of state assets management institutions are to manage the state's property rights in industries under state control and in government financial institutions. At present, however, their principal work is to transfer the state's property rights in ordinary industries and, therefore, their organizational scales at the present stage should not be too small. Their personnel should not only come from the financial departments; it is also necessary to transfer a large number of cadres from the competent departments of relevant trades and professions. The state assets management institutions are responsible for selecting enterprises for implementing the shareholding system, reappraising the stocks and assets of enterprises, dividing stocks, and determining the stock values according to the replacement prices of enterprise-fixed assets. To this end, it is necessary to employ experts or representatives from all quarters in society to specifically fulfill this task. In calculating the value of stocks, we should persist in assessing the enterprise assets according to the replacement price. We should also take into account the profit level of enterprises so that the stock prices can be in direct proportion to the price level. Before enterprise stocks are listed and even before the stock market exists, it is obviously impossible to rationally and accurately assess the stock value, but this should not restrict the implementation of the shareholding system.

2. The transfer of enterprise stocks can be completed at one go or in several steps. With regard to especially large enterprises, it is perhaps necessary to adopt the latter method. But the stocks in the hands of the state assets management institutions are needed only for a short transition; they should not be kept for an excessively long time. When transferring stocks, we should first meet the needs of various financial institutions and public institutions related to the reform of the labor system and

the social insurance system and then take into consideration the needs of enterprises and enterprise groups. Lastly, stocks are to be sold to all strata in society. For the time being, stocks will not be sold to foreign enterprises and individuals. Even if we select a small number of enterprises for experiment, the amount to be sold should also be restricted.

3. It is necessary to make some compensations to the portion invested in the past with retained profits. An enterprise should not hold its own stocks. In recent years, however, some enterprises have used the retained profits to make investments, which have developed into fixed assets. Although these are derived from the state's original investments, the proportion of investments among different enterprises vary widely. This is the principal reason why enterprises want to set up "enterprise stocks." Given that the institution of the shareholding system cannot be completed at one go, it is still very important to encourage enterprises which have not instituted the shareholding system to continuously expand their investments. For this reason, in the course of promoting the shareholding system, it is necessary to give some compensatory benefits to enterprises making investments with retained profits. In accordance with the proportion of assets deriving from the investment of retained profits in the total assets of enterprises, we should define a unified repayment ratio of capital income from the stock sales. The enterprises can use the repaid funds to purchase the stocks of other enterprises (they can also make arrangements in advance for exchange of stocks at equal value between enterprises) and the bonds and debentures of the government or other enterprises, or to upgrade and transform the enterprises. The remaining income from the institution of the shareholding system should be incorporated in the state budget and serve as reserve for the price reform. Enterprises can naturally use all the funds at their disposal to purchase the stocks of other enterprises. However, when holding each other's stocks, enterprises should take into account the principle of decentralization and voluntary participation. Enterprises which have developed into associations should be allowed to own a high proportion of each other's stocks.

4. The methods of financial institutions for holding and obtaining stocks should be flexible. First, they should coordinate with the reform of the social insurance system and promote the growth of pension funds. At present, large cities have made much headway in making overall arrangements for pension insurance. However, the pension funds are still basically under the government's unified management. As a basic insurance, the government should have a unified policy and exercise legal supervision. But it should transfer specific management work to special funds and develop other forms of supplementary insurance in a controlled way. The establishment of pension funds should be divided according to different localities and trades, and large enterprises may establish special pension funds. However, instead of being managed by the enterprises themselves, the funds

should be managed by an independent financial institution whose management and operations do not subject to the controls of trades or enterprises. On-the-job workers and staff members and relevant enterprises should pay a certain proportion of insurance premium to the funds. As for the insurance premiums which should have been paid by old workers or retired workers, it can be paid in the form of allocating a certain quantity of stocks. To ensure the safety of basic insurance, the stocks which are gratuitously transferred to each pension fund should be mixed (specifically, there should be different stocks) in order to decentralize risks to a maximum degree and to ensure stable dividends. As for supplementary insurance, the funds may make independent decisions to purchase different stocks. Second, all types of insurance companies should generally be encouraged to obtain stocks with payment. Departments which provide pension, medical care, and unemployment security to collective enterprises and township and town enterprises should be given priority to purchase stocks. Third, nongovernmental investment companies or trust and investment companies may purchase stocks, but it is also necessary to define specific regulations to decentralize risks. For example, a company should not be allowed to hold the stocks of the same enterprise in excess of 10 percent of its total financial assets. Fourth, banks or banking departments engaging in long-term credits may purchase the stocks of different enterprises according to the principle of decentralization. Fifth, it is inadvisable for government investment companies to hold stocks because their basic functions are to help enterprises raise funds and readjust the investment pattern according to the state industrial policy. If they hold enterprise stocks, they will be the state's holding companies, which have been proved unsuccessful in the practice of other countries. However, the infrastructure, which is placed under government control, is probably an exception. It is unlikely to cause a very serious problem if the government investment companies temporarily hold a certain quantity of stocks. Since the function of a government investment company is to guide the investment direction, holding stocks will increase its many other burdens. It will be better to let the state assets management institutions hold stocks. 5. While shifting property rights, we should establish an enterprise operation and management system according to the principle of the shareholding company. An enterprise instituting the shareholding system should set up a board of directors elected or approved by stockholders, which becomes the highest decisionmaking body. Taking into account China's practical conditions, which are characterized by an underdeveloped commodity economy and the lack of operational and managerial personnel, and considering that the enterprise leading body must have a certain degree of continuity and stability, the board of directors should include some internal directors and the chairman should be allowed to concurrently act as general manager. Where the stockholders are not in a position to select a board of directors for some time, it is necessary to use the original operational group as a basis and to

organize a transitional leading body. Following the institution of the shareholding system, to enable enterprises to be genuinely independent in operations and responsible for their profits and losses, it is necessary to institute a new system of repaying loans after separating taxes from profits, to reduce the income tax rates, and to abolish previously existent direct controls. Because the institution of the shareholding system is arranged in order of trade competitiveness, we can properly arrange supporting reforms in different trades, such as relaxing controls over prices, planning, and material distribution. With the institution of the shareholding system, the questions of government monopolizing labor employment and everyone eating from the same big spot on the question of welfare insurance are also basically solved, enterprises which fail in their operations will go bankrupt, the workers and staff members will be out of a job, and the conditions for circulating and reorganizing essential factors are ripe. It is necessary to resolutely implement the principles of market competition and of selecting the superior and eliminating the inferior.

6. After issuing stocks, we should open the second-level stock transfer markets in a planned way. If stocks cannot be sold or transferred, it is still an incomplete, even abnormal, shareholding economy. However, if we hurriedly open the second-level markets, it will probably bring a lot of unexpected trouble. It is necessary to open the stock transaction markets by stages and in groups according to the practical conditions of different enterprises.

Stock transactions should be handled by special institutions. We should set up stock exchanges in a few, selected large cities. Each stock exchange should have several stock broker companies to conduct professional transactions on behalf of customers. With regard to the regulations governing the organization and activity of a stock exchange, we should draw the mature experiences of other countries and define them in the form of a law or regulations.

Coal Production Continues To Increase
OW1405122489 Beijing XINHUA in English
0945 GMT 12 May 89

[Text] Beijing, May 12 (XINHUA)—The country produced 298 million tons of coal from January to April this year, surpassing the production target of 283.97 tons showing an increase of 6.7 percent over the same period last year.

Today's "PEOPLE'S DAILY" said that in recent years the country's coal production has kept increasing. From 1983 to 1987, it increased by 35 million tons annually on average.

Grain, Oil Funds Shortfall Called 'Staggering'
OW1305151689 Beijing XINHUA in English
1002 GMT 13 May 89

[Text] Beijing, May 13 (XINHUA)—China's Ministry of Commerce and Agricultural Bank have revealed that the

country is 10 billion yuan (about 2.7 billion U.S. dollars) short of the amount needed to buy grain and oil from farmers this summer, the "PEOPLE'S DAILY" reported today.

The report quoted officials from the ministry and the bank as saying that a total of 20 billion yuan (about 5.4 billion U.S. dollars) is needed for the purchase of grain and oil this summer, but at most only half of the funds can be supplied.

The report did not give reasons for the staggering shortfall in funds.

The paper pointed out that the present purchase price is only one-third of the market price, so if no cash is available, it will be difficult—if not impossible—to buy grain from farmers.

And if the farmers agree to accept scrip or government "IOU's" instead of money, they will have no funds for autumn planting, the paper said.

More Grains, Funds Allotted for Disaster Aid
HK1305003489 Beijing CHINA DAILY in English
13 May 89 p 3

[By staff reporter]

[Text] The State Council will direct more than 4 million tons of grain and more than 400 million yuan to as many as 100 million people in disaster-stricken areas who are facing food shortages before the summer harvest.

Guizhou, Hainan and Henan provinces and Guangxi Zhuang Autonomous Region have been the worst-hit by natural disasters to date, and they are in immediate need of grain and funds, according to an official with the Ministry of Civil Affairs.

"As the new crop is still in the blade and the grain harvested last fall is nearly consumed, it is now time to pay close attention to those people who are facing possible starvation caused by serious natural disasters," said an official with the relief department.

Grain will be allocated by the central government to ensure a ration of 0.5 kilograms per day for each person in disaster-affected rural areas, the official said.

All relief grain and funds should be distributed to needy people as soon as possible, said a circular issued by the State Council General Office. Local governments at all levels should appoint officials to conduct and inspect the allocation of grain and funds, it said.

Those found derelict in their duty in the course of allocation will be dealt with severely, and cadres found guilty of mishandling or pocketing the funds will face criminal penalties, the circular said.

Many cases of embezzlement and illegal use of relief materials have been discovered in the past, said an official with the grain purchase and sale department of the Ministry of Commerce.

The State Council's circular also advocates that local governments help people in disaster-stricken regions solve some of the problems themselves by developing sideline production to lessen the burden on the State.

Since last autumn, China has been struck by a variety of natural calamities, such as drought in the north and northeast, floods in the south, earthquakes in the southwest and hailstorms, typhoons, water damage and insect plagues in various areas. All this has greatly damaged crops, including grain.

Chen Junsheng Attends Wheat Production Meeting
OW1305035189 Beijing XINHUA Domestic Service
in Chinese 1308 GMT 9 May 89

[“Local Broadcast News Service”]

[Text] Beijing, 9 May (XINHUA)—State Councillor Chen Junsheng convened a meeting of responsible persons of departments concerned from 12 provinces, municipalities, and the State Council to draw up plans for allocating and transporting pesticide and farm chemicals as an emergency measure to prevent and treat wheat diseases and insect pests and for ensuring a bumper harvest of grains in the summer this year.

This year, the areas of summer grain crops have increased as a result of due importance attached by government at all levels and the efforts made by the broad masses of peasants. On the whole, the growth of crops this year is better than that of previous years. The prospect of having a bumper harvest of grains in the summer is very good. However, meanwhile, plant diseases and insect pests have broken out on tens of millions of mu of wheatfields in the major wheat production areas of our country. The seriousness of the plant diseases and insect pests in different areas is of varying degrees. At the meeting, Ye Qing, vice minister of the State Planning Commission and leader of the Group for Coordinating the Means of Agricultural Production under the State Council, reviewed the situation of production and supply of the means of agricultural production in the earlier period. He said: On the whole, the overall resources of pesticide and farm chemicals can meet the demand. Currently, pesticides and farm chemicals are in short supply in some areas. The problem is mainly caused by an imbalance between different areas in their production and farm chemicals kept in stock. It is imperative to solve the problem of coordination and regulation between different areas.

Focusing on the situation mentioned above, the meeting called on the major wheat production areas to tap the potentials of commercial products kept in stock as well

as the production and inventory capabilities of enterprises producing farm chemicals and pesticides, and give priority to allocating this portion of farm chemicals and pesticide to areas badly needing prevention and treatment of wheat diseases and insect pests. The meeting also called on the department in charge of agricultural materials and means of production at all levels from the central government to the local government to make vigorous efforts to work successfully in coordinating and regulating distribution of various farm chemical products between different areas. For instance, farm chemicals and pesticides, which are not needed by some areas for the time being, must be allocated for transportation to other areas badly needing them. The people's governments and departments concerned in all areas are urged to give active support to the above decision, to prevent a blockade between different areas.

Chen Junsheng emphatically pointed out: This year's wheat diseases and insect pests have occurred sooner than in previous years, affecting a large area. The situation is very grim. At present, paying close attention to preventing and treating plant diseases and insect pests in wheat fields is the key to ensuring a bumper harvest of summer grain. The principal leaders in every province must attend to the production of necessary farm chemicals and pesticides, and coordinate their allocation and transportation in real earnest. It is necessary for us to take the interests of the whole into consideration and follow instructions on unified allocation and transportation nationwide, when we are doing the job of allocating farm chemicals and pesticides for transportation to other areas. The railway and other transportation departments must make every effort to guarantee transportation for farm chemicals and pesticides which must be allocated and transported to other areas. Meanwhile, farm chemicals and pesticides needed for the production of staple crops, such as cotton and rice, must also be arranged at an early date.

Agriculture Ministry Expects Good Wheat Harvest

*OW1305132889 Beijing XINHUA in English
1159 GMT 11 May 89*

[Text] Beijing, May 11 (XINHUA)—China's wheat is growing well due to good sowing last year and favorable climate and rainfall early this year, an official from the Ministry of Agriculture announced here today.

According to ministry statistics, 15 major wheat-producing provinces and autonomous regions across the country are expected to turn out 78.2 billion kg of wheat, an increase of 1.1 billion kg over last year's harvest, as sown areas have been expanded by 18 percent.

According to sources at the State Meteorological Administration, temperatures have been higher than normal in the wheat-growing areas and wheat is expected to ripen earlier.

Five million hectares of wheat have been planted in the central China Province of Henan, China's leading wheat producer. Good harvests are also expected in Sichuan, Shanxi and Jiangsu Provinces and Beijing.

Meteorologists estimate that weather conditions will be favorable for wheat in the major wheat producing areas in the coming 30 days.

Chen Yaogang, vice-minister of agriculture, said stable development of agriculture serves as a key link for the economic readjustment policy. He called on localities to pay greater attention to wheat production in order to win the "first victory" in attaining this year's good harvest.

However, drought has hit northern Chinese provinces including Liaoning, Jilin and Hebei. Moreover, another eight million hectares of wheat nationwide is being affected by insect pests, especially in Shandong, Hebei and Shanxi Provinces. But only 37 percent of this affected area has enough pesticides or enough money to buy it to combat the pests.

Experts have warned that 1.6 billion kg of wheat may be gobbled up by the insects.

University Develops New High-Protein Rice

*OW1405113789 Beijing XINHUA in English
1015 GMT 12 May 89*

[Text] Wuhan, May 12 (XINHUA)—A new variety of rice containing large amounts of protein was successfully bred recently by the Department of Biology of the Central China Teachers University located in Wuhan, capital of Hubei Province.

According to tests conducted during the period from 1984 to 1988 by the Hebei Provincial Academy of Agricultural Sciences, Chinese Rice Institute, Chinese Academy of Agricultural Sciences and Shanghai Municipal Academy of Agricultural Sciences, the average coarse protein content in the new breed rice is 13.72 percent of that in dried brown rice and 52.1 percent higher than that found in 1,136 improved varieties of rice now being widely grown across China.

Experts, worried about the low content of protein in the Chinese diet, say that 0.5 kg of polished rice of the new variety a day can provide a person with 70 grams of protein.

Central-South Region

Henan Students Show Support for Beijing Students

HK1605004889 Zhengzhou Henan Provincial Service
in Mandarin 2200 GMT 15 May 89

[Text] On the evening of 15 May, some 1,000 students from Zhengzhou colleges staged a street procession in support of the Beijing students. They demanded a dialogue with the provincial leadership.

At 1910, several hundred Zhengzhou University students marched from their campus carrying banners and shouting slogans. They processed along Daxue Road, Zhongyuan Road, 7 February Road, and Jinshui Highway, and arrived in front of the provincial government building at 2100. Along the way, some students from various other colleges came out to join them.

The students' slogans included "Long live freedom," "Long live democracy," "Long live science," "Down with official profiteers," "Wipe out corruption," "Persist in reforms," "Invigorate Henan," "Freedom of the press," and "Respect knowledge and talent." Their march attracted many spectators along the route and also caused some traffic congestion.

At 2200, four student representatives from three colleges entered the provincial government building. They reported their demands for dialogue to (Jiang Mingbang), deputy director of the provincial government general office, who was on duty at the time. After consultation, (Jiang Mingbang) told the students at the provincial government gateway that he will relay their views to the provincial government leadership and give them an answer by 1600 on 16 May.

The students outside the provincial government building returned to their campuses after midnight. Many public security cadres and policemen and armed police fighters went to maintain order during the incident, but no clashes occurred.

Changsha Police Arrest More Hunan Rioters

OW1505234789 Beijing XINHUA in English
1452 GMT 15 May 89

[Text] Changsha, May 15 (XINHUA)—Police in Changsha, capital of Hunan Province, arrested 17 people today on suspicion of committing crimes during a riot on April 22, an official from the city Public Security Bureau said today.

Those arrested included known hooligans, people with criminal records, and a few workers and farmers.

During the riot, 38 shops at the Changsha railway station, the May First Square and a shopping center in the city were plundered.

A total of 63 rioters were taken into custody by the city police earlier this month. On April 30 the first group of nine rioters were arrested.

Hunan People's Congress Ousts Vice Governor

OW1505152989 Beijing XINHUA in English
1444 GMT 15 May 89

[Text] Changsha, May 15 (XINHUA)—Yang Huiquan, vice-governor of central China's Hunan Province, was dismissed from his post today.

The decision was taken at the second session of the seventh provincial People's Congress, which ended today.

Yang was accused of dereliction of duty in screening companies in the province and misuse of public funds.

The motion was raised by deputies to the congress and the vote was 506 to 368 in favor of his removal.

According to the motion, Yang failed to answer inquiries raised by deputies about the progress of screening companies.

For instance, the International Economic Development Company in the province was reported to have had some problems a year ago, but to date Yang still can not give a satisfactory answer about the investigation into the problems of the company.

"The vice-governor has failed to live up to the expectations of the people," the motion said.

Yang became vice-governor in 1983 and was appointed head of a group responsible for screening companies in 1987.

North Region

Hebei County Judge Indicted for Forgery

OW1405120189 Beijing Domestic Service
in Mandarin 0930 GMT 11 May 89

[By FAZHI BAO reporter Zheng Dong and station reporters Xu Jun and Wang Hua—from the "National Hookup" program]

[Text] According to a responsible person of the Supreme People's Court, a local judge was indicted on charges of forging legal documents and bending the law while adjudicating a case.

The responsible person called the case unusual and serious.

Because of a dispute over a technical contract with the Jingyi Medical Science and Technology Development Corporation under the Beijing Medical University, the Xinhua Industrial Corporation in Huolu County, Hebei, filed a lawsuit at the Huolu County People's Court. While hearing

and mediating the case, Bi Shenghe, a judge of the Huolu County People's Court, on 1 June 1988, fabricated a mediation agreement and forged the signature of Yang Xiehan, lawyer of the Jingyi Medical Science and Technology Development Corporation, on the agreement and the service certificate. He also illegally transferred 154,000 yuan from the bank account of the Beijing Medical University, the higher authority of the Jingyi Medical Science and Technology Development Corporation, to the Xinhua Industrial Corporation.

After discovering the forgery, Yang Xiehan, who is also a lawyer of the Beijing Legal Affairs Office No 3, filed a suit at the Supreme People's Court, accusing Bi Shenghe of serious irregularities, indiscipline, and mistrial.

The Supreme People's Court attached great importance to the case and instructed the Hebei Provincial Higher People's Court to investigate it.

The Hebei Provincial Higher People's Court, the Shijiazhuang Municipal Intermediate People's Court, and Huolu County's party and government departments verified Bi Shenghe's irregularities and suspended him from his duties, pending further investigation. The case about the technical contract disputes has now been referred to the higher court for handling.

During an interview with reporters, Li Yongjin, president of the Hebei Provincial Higher People's Court, indicated that Bi Shenghe's conduct is unacceptable because he violated the legal procedures. He said the court would handle the case thoroughly and seriously, regardless of who is involved.

Shanxi Official Comments on Student Protests
HK1605092389 Taiyuan SHANXI RIBAO in Chinese
5 May 89 p 1

[Report: "Responsible Person Concerned From Taiyuan City Government Comments on Street Processions Staged by Some College Students"]

[Text] Yesterday afternoon, a responsible person concerned from the Taiyuan City People's Government issued a statement about the street processions in the

provincial capital staged by some college students, which pointed out: Because a prior request was not made to the Public Security Department, the demonstration was held in violation of "Taiyuan City's provisional regulations governing demonstrations by the masses"—which were approved by the city People's Congress Standing Committee and ratified by the provincial People's Congress Standing Committee—and the "Circular on Safeguarding Social Stability and Unity in the Provincial Capital," issued by the Taiyuan City People's Government on 30 April. In the course of mobilizing the demonstration, a small number of students from Taiyuan Industrial University forced their way into Shanxi Institute of Mining Industry, Shanxi Medical College, Shanxi College of Finance and Economics, and Shanxi University to establish contact. This was also illegal.

The responsible person concerned said that to protect young students and to prevent a handful of people with ulterior motives from instigating disturbances and some unscrupulous elements from taking advantage of this opportunity to engage in illegal and criminal activities, the city Public Security Department dispatched policemen, who exerted their greatest efforts to maintain traffic order along the route and help the processions pass through in an orderly fashion.

In conclusion, the responsible person pointed out that out of patriotic enthusiasm, the students have called for political democracy, the punishing of "official profiteering, and the elimination of corruption. These aspirations are understandable and in keeping with government demands. However, it will not contribute to the solution of matters if students adopt the method of taking to the streets in violation of local laws and regulations, especially in forcing their way into other universities and colleges, as a small number of students from Taiyuan Industrial University students did. On the contrary, it will affect the stability of the situation. It is hoped that the students will be more reasonable and sober-minded. They should heighten their vigilance lest they be utilized by individual persons with ulterior motives. We hope that young students will report the situation and air their views to the party and government through normal channels.

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